

May 14, 2008



**TRANSCRIPT
May 14, 2008**

MONTGOMERY COUNTY COUNCIL

PRESENT

Councilmember Michael Knapp, President
Councilmember Roger Berliner
Councilmember Valerie Ervin
Councilmember George Leventhal

Councilmember Phil Andrews, Vice President
Councilmember Marc Elrich
Councilmember Nancy Floreen
Councilmember Duchy Trachtenberg



May 14, 2008

1 President Knapp,
2 Good afternoon everyone. Welcome to the continuation of the Council's analysis of the
3 FY09 budget. I know we've got a lot of folks. I thank you all for coming this afternoon.
4 To the extent that you can get to places where there are seats that would be
5 appreciative. As many of you already in the audience know, we have fire code issues
6 that we need to make sure we try to address. So if we could at least keep the aisle ways
7 and the doors clear. But I'm guessing a lot of you can help us do that too. We have a
8 number of items to get through today. One thing I want to say at just the beginning,
9 because we do have a number of issues that are of significance and importance before
10 us, first of all it is a Council session so I know there is a lot of emotion and passion on a
11 lot of issues, and I appreciate that. And to the extent practicably want people to be able
12 to say what they -- I want to hear what you think, but I want to do it in a way that is
13 respectful and courteous. And so we're also going to need to make sure we keep things
14 moving on in a fairly timely basis. So I appreciate your assistance in working with us in
15 that. The other thing is because of the uniqueness of the budget that we have before us
16 this year in that being that, in all likelihood, whatever the Council takes forward to
17 tomorrow's Budget Reconciliation Process will require seven votes, because we'll
18 exceed the Charter Limit as proposed by the Executive and where the Council appears
19 to be heading; it will require seven votes. And so there are a number of votes that we
20 will take today that may get a majority, and that will set the stage for tomorrow's
21 conversation. But seven votes are still going to be required. So there are some things
22 that will come out today that the Council -- that may appear to have the Council in one
23 direction because it is a majority of the action -- a majority of the Councilmembers who
24 have taken action today, but it still may not necessarily get the seven votes required to
25 get to a budget that passes tomorrow. And so there are some things that may change
26 between what action takes place today and what takes place in the straw votes that the
27 Council takes tomorrow. I just want people to understand that because it is a little bit of
28 an anomaly. Typically a majority or six votes would be sufficient, but because we'll
29 exceed the Charter Limit it will require seven votes. So there may be some
30 modifications from what happens today and ultimately occurs tomorrow. So I just want
31 to make sure people understand that. We also have one item number 3 Item A on the
32 Consent Calendar, which is going to be deferred until tomorrow. So I just wanted to note
33 that. And we now begin with a briefing on third quarterly analysis of FY08 Revenue and
34 Expenditures by the Office of Management and Budget and the Department of Finance.
35 I turn to our staff Director, Mr. Farber.

36
37 Steve Farber,
38 Thank you, Mr. Knapp. The first two items on the agenda today are, as you say, a
39 summary of where we stand on expenditures and revenues at this point in the FY09
40 budget process. With us today are Director Joe Beach and Alex Espinosa, of OMB.

41
42 President Knapp,
43 Steve, is your Mike on?
44



May 14, 2008

1 Steve Farber,
2 I believe it is.

3
4 President Knapp,
5 Okay.

6
7 Steve Farber,
8 We have today Director Joe Beach and Alex Espinosa of OMB, and Director Jennifer
9 Barrett and Rob Hagedoorn and David Platte of the Finance Department. We
10 appreciate our continued working relationship with these very fine professionals and all
11 of those in the Executive Branch and at MCPS and the college and Park and Planning.
12 That means a lot to us throughout this entire process. We have the third quarterly
13 analysis of FY08 Expenditures and Revenues from OMB and Finance, and perhaps Mr.
14 Beach and Ms. Barrett, you could give us just a brief summary of where you feel we
15 stand at this point?

16
17 Joe Beach,
18 Thank you, Steve. I was going to briefly hit on some of the expenditure issues. Most of
19 the salient points are in Steve's packet. He points out that we will be somewhat below
20 the original savings plan estimate by about \$3.4 million because of overspending in
21 certain departments that I'll cover in just a minute. However, we did set aside, in the
22 March 17th budget, funds to cover a large portion of that. We believe at this point we
23 can turn back to the Council about 2.9 million from our set-aside. Some of the major
24 variances included in the Board of Elections because of the two special elections as
25 well as the special election to fill Congressman Wynn's seat as well. The sheriff's office,
26 there were some overruns as well from overtime other expenditures. And in the Working
27 Families Income Supplement Non-Departmental account because of greater than
28 anticipated participation, we had higher than anticipated costs there as well. Some of
29 the overspending was partially offset by additional lapse in certain departments because
30 of the hiring freeze, which helped out; but those are the major points we wanted to
31 cover with you at least on the expenditures.

32
33 President Knapp,
34 Okay. So just to be clear, we are looking then at estimates difference between identified
35 use and the set-aside at 2.9, okay. Questions from Councilmembers? I see none. Thank
36 you very much.

37
38 Jennifer Barrett,
39 On the revenue side of the picture, attached also in your packet is the collections
40 update from the Department of Finance. And as we frequently update you on our
41 revenue collections, I would like David Platt, our Chief Economist, to provide you an
42 update. And then I've got additional comment when he is done.

43
44 President Knapp,



May 14, 2008

1 I'm on circle -- is that 2 or 7?

2
3 Unidentified,
4 Seven.

5
6 President Knapp,
7 Great, thank you.

8
9 Jennifer Barrett,
10 But turning to circle 8, I'm sure.

11
12 David Platt,
13 The narrative starts in circle 8. Good afternoon everyone.

14
15 President Knapp,
16 Good afternoon.

17
18 David Platt,
19 These are data going up through March, which is obviously the first three-quarters.
20 Total tax collections to date are about \$1.8 billion, and they are about 7/10th of a
21 percent below where we were in the same period in FY07. Income tax collections -- and
22 I'll get a little bit more detail on the income tax collection because I understand there is a
23 little of tension about it. As of March we were at \$802.3 million through March. And that
24 is basically on track with our revised estimate; that's about 2% above FY07 for the first
25 three-quarters. Our budget and revised estimate was bout 1.5, 1.6. So we're on target
26 for the income tax collections. The property tax collections are running a little bit above
27 or at -- excuse me, at -- this is the General Fund portion only. We're running at the
28 target of \$776.2 million for the first three quarters to date. The real challenge confronting
29 us, again, is the transfer recordation taxes. They have been down about 23, 24%, both
30 for the transfer and recordation taxes. And that has been a big challenge this year, and
31 will continue through the last two months of this year. On the consumption taxes, we've
32 got a mixed bag of results. The fuel and energy taxes, for example, are slightly above
33 the target estimate; they're running \$58.2 million to date. Telephone tax are \$18.7
34 million, and again they are above the target estimate. But the collections from the
35 hotel/motel tax are running below the period last year, and are down about 4/10th of a
36 percent. And emissions tax, which is a very small portion, are 4.7% below last year.
37 Investment income, we're running about \$36.6 million for the first three quarters, which
38 is 2.3% below the same period last year. And that's attributed to the rate cuts in interest
39 rates. We thought we would see a bigger drop, but because of our investment strategies
40 we have been able to extend the investments over a longer period of time so that the
41 spread is not as deep as we thought it would be. So we're -- even though it's down, I
42 want to remind you we're still down, but we're in a little bit better shape than we thought
43 we would be. Highway use and revenue funds -- 6.1%6 below. And there is a bit of
44 volatility with these numbers on a timing period when we report the revenues.



May 14, 2008

Jennifer Barrett,

You can see that the collection update is summarized on circle 12, with the collections for the first three quarters of FY08 compared to the first three quarters of FY07. And these numbers that you see on circle 12 do reflect, in particular, income tax collections including the February distribution, because this is a quarterly update. So it goes through March 31st. However, because of the interest in this revenue source, I wanted to also give you an update on information we just received yesterday on our May distribution. You may recall from our late February update that the February distribution was just a little bit above where we had expected. However, our May distribution just came in at \$231 million; our estimate had been \$235 million for that distribution. So it is 1.7% below what we had planned or expected for that distribution. That offsets the increase that we got in April. It puts us back on track with our latest estimates, and continues the track record of these fine folks here to my left in the Department of Finance in its revenue estimating for the past 26 years of being at 98% accuracy on total revenues. I did want to give you the update for the May distribution. Let's get that plugged in.

President Knapp,

Good plug. So that means we're back on track for the 1-1/2% growth rate?

Jennifer Barrett,

For the year.

David Platt,

About 1-1/2, 1.6%.

President Knapp,

Right.

David Platt,

We have got two more distributions, Mr. President.

Jennifer Barrett,

We have some more come ining in.

President Knapp,

Councilmember Floreen.

Councilmember Floreen,

Thank you. Staying on this page about the collection update, I wanted to make sure I understood this is the totals of what is reported here?

Jennifer Barrett,



May 14, 2008

1 Three quarters of the year.

2
3 Councilmember Floreen,

4 Three quarters. So if you add it all up and with all the puts and takes, am I reading this
5 correctly? The Fiscal '08 budget that we're in right now anticipated a 1.7% increase; is
6 that for the whole year?

7
8 David Platt,
9 Ms. Floreen, that's correct.

10
11 Councilmember Floreen,
12 And how are we running right now? I think it -- what you are telling us is that we're
13 overall \$12 billion lower than where we expected to be?

14
15 President Knapp,
16 Million.

17
18 Councilmember Floreen,
19 12 -- 12 million, I'm sorry. Did I say billion?

20
21 President Knapp,
22 I think so.

23
24 Councilmember Floreen,
25 Oh, if only.

26
27 Jennifer Barrett,
28 That's where -- that's compared to just last year.

29
30 Councilmember Floreen,
31 Compared to last year?

32
33 Jennifer Barrett,
34 Yeah. David, where we are compared to the -- what we call, I think it's revised '08
35 column.

36
37 Councilmember Floreen,
38 That's right.

39
40 David Platt,
41 That's correct.

42
43 Councilmember Floreen,



May 14, 2008

1 So where this Fiscal '08 revised March '08 number, it says negative 1.2%; is that the
2 variance from where we thought we'd be?

3
4 David Platt,
5 That's the year over year.

6
7 Councilmember Floreen,
8 You have that information as to how this compares -- the revenues compared to what
9 was budgeted?

10
11 David Platt,
12 That's the year over year.

13
14 Councilmember Floreen,
15 How do we -- ?

16
17 David Platt,
18 Based on our revisions that we did in March for the preparation of the FY09 budget.

19
20 Councilmember Floreen,
21 Okay, then how did we compare to how we thought we'd be then; not last year, but -- ?

22
23 David Platt,
24 Well that's basically what we expect to be this year -- this fiscal year.

25
26 Jennifer Barrett,
27 The 1.2, David, is how we are doing actual through March 31st compared to what was
28 assumed in the FY09 budget?

29
30 David Platt,
31 The 1.2% is based on the FY07-FY08 based on the revisions that we prepared for the
32 recent budget submission annual numbers.

33
34 Councilmember Floreen,
35 Okay. So that, I assume, that's below last year's budget number -- revenue?

36
37 David Platt,
38 That's correct.

39
40 Rob Hagedoorn,
41 So basically what it says is that we forecast at the 1.2% decline in our latest estimate
42 and the latest numbers -- .

43
44 Councilmember Floreen,



May 14, 2008

1 Over last year's revenues.

2
3 Rob Hagedoorn,

4 That's correct. And what we're looking at now is we're already down 0.7%. So we're
5 basically on track. Of course, we still have a few more months to go in collections. So
6 we're basically on track with a 1.2% decline.

7
8 President Knapp,
9 They revised it down.

10
11 Councilmember Floreen,
12 You revised it down from last year. I'm just trying to understand what we assumed,
13 though, for this year overall? We ordinarily see that.

14
15 Rob Hagedoorn,
16 A 1.2% decline.

17
18 Councilmember Floreen,
19 We didn't assume a 1.2% decline a year ago?

20
21 Rob Hagedoorn,
22 No, that's correct. That's why it says in March -- .

23
24 Councilmember Floreen,
25 What did we assume a year ago?

26
27 Rob Hagedoorn,
28 Oh, the budget numbers?

29
30 Councilmember Floreen,
31 Yeah?

32
33 President Knapp,
34 That's the 1.7.

35
36 Rob Hagedoorn,
37 That's the 1.7.

38
39 President Knapp,
40 That's the next column over.

41
42 Councilmember Floreen,
43 So we assumed 1.7% increase, and now we're seeing a 1.2% decrease?



May 14, 2008

1 Rob Hagedoorn,
2 That is correct.
3
4 David Platt,
5 That's correct.
6
7 Councilmember Floreen,
8 So is what you are telling us that this is a 2.9% variation from what we assumed?
9
10 David Platt,
11 That's correct, the difference -- .
12
13 Councilmember Floreen,
14 Okay. That's what I wanted to understand. And what does that translate into in terms of
15 dollars?
16
17 David Platt,
18 I don't have that number in front of me.
19
20 Rob Hagedoorn,
21 We can get it to you.
22
23 Councilmember Floreen,
24 It's probably more than a bread box.
25
26 David Platt,
27 It's larger than a bread box.
28
29 Councilmember Floreen,
30 A couple million?
31
32 David Platt,
33 Larger than a few houses.
34
35 Councilmember Floreen,
36 Is it the 12 million?
37
38 Jennifer Barrett,
39 Twice the 12 million.
40
41 David Platt,
42 Yeah.
43
44 President Knapp,



May 14, 2008

1 Effectively, twice the -- .

2
3 Councilmember Floreen,
4 What do you think it is, Jennifer?

5
6 President Knapp,
7 It would be 24.

8
9 David Platt,
10 About 24 million.

11
12 Councilmember Floreen,
13 About \$24 million less in revenue this year than we based our budget on?

14
15 Jennifer Barrett,
16 Original budget.

17
18 Councilmember Floreen,
19 Original budget on. Okay. Thank you.

20
21 President Knapp,
22 Councilmember Elrich.

23
24 Councilmember Elrich,
25 So what are the implications for the budget we're putting together? I mean assuming
26 that, you know, you -- when you put together the original budget document you
27 assumed a certain amount of carry-over and spend rate; how do these numbers affect
28 numbers that we should be taking into consideration for what's available resources for
29 the coming budget; or did they change them at all?

30
31 Jennifer Barrett,
32 This is one piece of the puzzle in terms of the upcoming budget. This is just -- .

33
34 Councilmember Elrich,
35 I just want to know about this one piece of the puzzle. So for the piece of the puzzle that
36 you brought me here today to look at.

37
38 Jennifer Barrett,
39 Sure.

40
41 Councilmember Elrich,
42 If I -- and I know this is a big -- the tax revenues are a big piece of the puzzle. And if you
43 received less than you anticipated, how did our spend rate go and what money are we



May 14, 2008

1 carrying forward? What money do you anticipate leftover from this year's budget to fund
2 next year's budget? Because that's, that's kind of a starting point here.

3
4 Jennifer Barrett,
5 We updated -- and I'm sorry, I'm not trying to be -- we updated the estimates in
6 November.

7
8 Councilmember Elrich,
9 Right.

10
11 Jennifer Barrett,
12 And we're on track with those updated efforts that we did in November. That's what
13 we're saying is that we're on track We, in November, realized that we were coming in
14 lower on revenues than we had originally expected in the original FY08 budget, and we
15 are now on -- we're still on track with what we predicted in November.

16
17 President Knapp,
18 So with what they predicted -- .

19
20 Jennifer Barrett,
21 Between the February distribution, May -- .

22
23 President Knapp,
24 And then the actions that we took for savings and those pieces, we are roughly on track
25 to where we had anticipated to be.

26
27 Jennifer Barrett,
28 And then on the expenditure side, Joe just gave you the update on that.

29
30 Councilmember Elrich,
31 So this has no bearing on the numbers we're going to put together for this budget. It
32 only gives us a perspective on the outlook for income growth.

33
34 Jennifer Barrett,
35 We're trying to tell you that we haven't found you more money, and we haven't lost any
36 money; we're still on track with our projections. The recovery drawings.

37
38 Councilmember Elrich,
39 Okay.

40
41 President Knapp,
42 Councilmember Berliner?

43
44 Councilmember Berliner,



May 14, 2008

1 Ms. Barrett, as you appreciate, part of the conversation that takes place when we try to
2 put this budget together is concern with respect to the revenue projections, and that in
3 the past bargains have been struck that were predicated on certain revenue projections,
4 and then suddenly revenue materialized that made those bargains seem unwise and
5 inappropriate and unfair to some. My question to you, and it's really a variation on a
6 theme but to speak directly to it; in your professional judgment, we are well-served by
7 having confidence in these numbers?

8
9 Jennifer Barrett,
10 I believe you are, and our track record reflects that.

11
12 Councilmember Berliner,
13 Thank you.

14
15 President Knapp,
16 And I would add to that, in conversations with folks at the State level, they said we have
17 the finest finance team in the state.

18
19 Jennifer Barrett,
20 If I could just address that, in addition. Around the state you'll find a lot of people that
21 produce some historical revenue data and say, oh, look, if you just carry this forward
22 this is what you can expect. And a lot of revenue estimating around the state and also in
23 the country is done on the flat, straight-line basis. We have full-time dedicated staff in
24 the form of Mr. Platt here assisted by Mr. Hagedoorn that focuses on these issues. We
25 don't just do straight-line revenue estimates. They are looking at all the contributing
26 factors as you can see in your quarterly economic indicators update that the MFP
27 Committee especially is very familiar with. So we're doing things in a very much more
28 sophisticated way than others are doing it, and we're very proud of that.

29
30 President Knapp,
31 Mr. Berliner?

32
33 Councilmember Berliner,
34 Ms. Barrett, if I could, again, just to keep on this same subject. People point to Howard
35 County and say, goodness there's more revenue there than was projected. Why isn't
36 that true for us?

37
38 Jennifer Barrett,
39 Actually, we have looked at the Howard County -- if I could speak for my staff. They are
40 in contact around the state. There is a group of revenue estimators that get together.
41 Howard County's last revenue update, if you go to their website. I did it on my cell
42 phone. I think I have it with me -- was from November. That was the last time they
43 provided a revenue estimate. They did have some high distributions, high collections, I
44 think, in the income tax area. However, Howard County actually is a little concerned that



May 14, 2008

1 what they're experiencing in Fiscal Year 08 is what happened to us last year. That we
2 simply got those distributions ahead of time than in FY08 what happened last fall when
3 the income tax distribution for November came in so low, and really caused us a great
4 deal of pain in what we had to do on the expenditure in the current year budget; that
5 Howard County may be following that path now. And they're concerned that it's one-
6 time revenue and then actually they're treating it somewhat in that way in terms of
7 assuming some one-time contributions for their OPEB funding for the retiree health. So
8 you can't compare jurisdictions directly head-on, head-on. I've got to tell you that. But
9 just know that we are in contact with them. We're watching what's going on around the
10 State.

11
12 Councilmember Berliner,
13 Thank you.

14
15 Steve Farber,
16 Mr. Knapp, on that point, I did speak with Ray Wax, the Budget Director in Howard
17 County, and he told me that they were concerned about their revenue projections for
18 income tax because a lot of their folks, like a lot of folks here, pay estimated taxes,
19 people like real estate agents or people who have businesses or entrepreneurs. And
20 because of the overall decline in economic activity here and in Howard County, around
21 the state, and frankly around the nation, he indicated that they were concerned that
22 maybe their income tax estimates wouldn't be met, because people are making lower
23 estimated tax payments because of the slow down in the economy as a whole.

24
25 President Knapp,
26 Okay. Great. No, I appreciate the update, and thank you very much. I see no further
27 questions on that item. We now turn to Mr. Farber for the overview of the FY09
28 Revenues and Expenditures.

29
30 Steve Farber,
31 Right, we have just talked about FY08 and where we stand in the current fiscal year.
32 And what we have now, as we do every year at this time, is an update for the coming
33 year, FY09, in terms of revenues and expenditures as measured by the actions that the
34 Council has taken to date. You obviously have many more actions to take, but what Mr.
35 Sherer and I try to do each year at this time working very closely with OMB is to have a
36 very accurate tally of the really the hundreds of individual actions that in committee and
37 the full Council you have taken to date. And those actions are reflected in the
38 spreadsheets that Mr. Sherer has prepared on circles A and B. And then they are
39 summarized as well in the tracking report that we have starting on circle 1. This is
40 prepared by Janet Kiepke working with our Council staff analysts and also with the
41 Office of Management and Budget very closely. We try very hard to make sure that all
42 the numbers match so that there is no confusion at this point. It's a big job but everyone
43 cooperates on it, and we do this process every year. The bottom line of where you
44 stand right now as of this point in the FY09 budget process is really summarized down



May 14, 2008

1 at the bottom of this front page. Basically the actions you have taken so far in terms of
2 reducing the proposed agency appropriations for county government, the schools, the
3 college, and Park and Planning, have placed you \$126 million below our revenue
4 reserve target of 6%. In other words we would have to find that much more revenue.
5 Now, in addition to that, there is 40.5 million on your reconciliation list that is to say
6 items that would be desirable to fund if there is available revenue. So the total of those
7 two amounts is \$167 million, sort of in the negative. Where do you come up with
8 resources of that size? Well, you know, there are different possibilities. What the
9 Executive proposed was a substantial property tax increase. It's a total increase of
10 14.7% in property tax revenue over the current year. It's \$138 million above the Charter
11 Limit on property tax revenue. That's what the Executive has proposed. There are other
12 options as well; some participation by employees, a smaller allocation to PAYGO, which
13 is cash for our Capital Improvements Program. And what it boils down to is the four
14 questions at the end of this page. These are the questions that you will be addressing
15 today and tomorrow, and they really summarize what the issues before you are. They
16 are interrelated questions. And the first one is how much of the reconciliation list of 40.5
17 million should be funded? How much do you think is affordable? Second, key question
18 is how large should the FY09 property tax increase be? And once you decide that, how
19 should you achieve it? There are numerous ideas on that front. The third question is
20 what form should employee participation take? And the fourth question is should
21 PAYGO cash for the CIP be less than the \$30 million that the Executive has proposed?
22 Those are the four questions that really define what is before you now and they are
23 interrelated. There is interplay there. And that's what's on the table right now.

24
25 President Knapp,

26 Okay. Thank you very much for the overview. I'll see if any Councilmembers have
27 questions. Councilmember Ervin.

28
29 Councilmember Ervin,

30 Thank you very much. I have a question about MCPS reduction of \$33.2 million. My
31 understanding was, in committee, our committee recommended a 22.5 reduction to the
32 budget. How did we get to 33.2 million?

33
34 Steve Farber,

35 We did it in -- that really stems, Councilmember Ervin, from the action that the MFP
36 committee has recommended with regard to a retiree health insurance funding. This is
37 the GASB OPEB issue. And as you recall from our discussion in MFP last Friday, the
38 committee unanimously endorsed the recommendation of Tom Loman, the Council's
39 actuarial advisor. And the question was over what period of years should we be phasing
40 in the money that is going to be required to make good on the promises we're making to
41 our county employees about retiree health benefits. And Executive this year
42 recommended eight years. The committee agreed with 8 years, but they adopted a
43 different methodology, namely Mr. Loman's methodology. And that had the impact at
44 MCPS of reducing expenditures needed there by \$10.7 million. Actually, MCPS own



May 14, 2008

1 actuaries had come up with that same figure. So what we did was we added that
2 amount to the amount that you had done in committee and that's how we came up with
3 this number.

4
5 Councilmember Ervin,
6 I'm still curious about this, and I was wondering if Mr. Bowers wanted to come to the
7 table to address this issue, because I think it's a significant shift from my understanding
8 of what the committee ended up with. If Mr. Bowers would come to the table, give us his
9 opinion on how we got that number?

10
11 Larry Bowers,
12 This is the first I've seen it, but it is -- I do track with what Mr. Farber said. This is the
13 additional recommendation that they OMB Committee had made the other day, added
14 onto the \$22.5 /2 million. So it was that delta that was on Tom Loman's chart, which
15 was the last page of the packet that went to the Council the other day.

16
17 Councilmember Ervin,
18 All right. Thanks.

19
20 President Knapp,
21 Councilmember Elrich.

22
23 Councilmember Elrich,
24 Is this a good time to talk about PAYGO?

25
26 President Knapp,
27 Sure.

28
29 Councilmember Elrich,
30 I want to express my frustration about this. I asked for the better part of six weeks about
31 what the possible funding sources were for this budget. And I heard all kinds of things.
32 And nobody ever put PAYGO on the table. And sometime last week I went to a staff
33 member, because somebody else had said to me, you know, there is always the ability
34 to take something from PAYGO. And I said, okay, staff member, should I go to PAYGO
35 and how far should I go? And the first comment was, you shouldn't go to PAYGO at all.
36 Now this is Council staff, not Executive staff -- just to be fair to you guys, so we're clear
37 about this. Shouldn't go there at all. Got to have this money. Must have this money. If
38 you're going to take the cut, don't go more than \$10 million. They really advised against
39 it, but don't go more than 10 million. Okay. Then I have a conversation with somebody
40 about how it was possible to go to a larger number than 10 million, and it had something
41 to do with funding school projects. And I'm kind of amazed that at a critical juncture, \$30
42 million in school capital projects somehow mysteriously no longer were ready to go
43 forward when they were ready to go forward. I was told I've solved your problem
44 because you can move these projects. And I thought that's interesting except I thought



May 14, 2008

1 PAYGO was a cash payment to help support the bonds for a number of other reasons.
2 And so even you moved some capital projects from this year, it still would seem to me if
3 I move 30 million out of \$300 million in capital projects; I need 27 million in PAYGO
4 instead of zero dollars in PAYGO. Now in the last 48 hours, maybe less, people are
5 saying PAYGO could go to zero and it doesn't matter. Now I've got colleagues on this
6 Council who have been here a while and none of them mentioned PAYGO before. And
7 staff never mentioned PAYGO in all the time up until the last short period of time. And I
8 don't understand whether this is real or whether this is not? I, frankly, don't believe that
9 the moving of the capital projects in the school budget is based on anything other than
10 as somebody said to me on the phone, not from Montgomery County government side, I
11 solved your problem by moving these projects. Well I thought our Capital Budget was
12 real. I thought we put projects in there because we thought they were ready to go. And if
13 projects weren't ready to go, I thought this Council wanted to spend \$300 million a year
14 on other capital projects which, if we did, wouldn't obviate the need for PAYGO. So I'm
15 struggling with this. I mean, I seem to have this magical pot of money that suddenly
16 appeared that I was told not to touch, that no one mentioned, and then there seems to
17 be some mystical way in which none of the caveats around it apply any more; and that
18 the projects -- some of the projects for which this is going to be used have just
19 conveniently been moved to another year. So I'm left in the position of actually not
20 believing much of anything. And I have a hard time making decisions about a budget if
21 we don't have consistent, straight, honest answers about what we need, when we need
22 it, and what policies we're following. So if you could illuminate for me what we need,
23 when we need it and what policies we're following that might be helpful, because I'm
24 really struggling with this. I mean, I do not like spending all the time we spent trying to
25 figure out how to close the gap, and then at the last minute having somebody appear
26 with play money, and what appears to me a fraudulent solution, in order to make it
27 appear okay? And I just am not comfortable with that.

28
29 President Knapp,
30 Mr. Farber?

31
32 Steve Farber,
33 Well you'll notice that question 4 on my list is, in fact, a question. It is not a statement. It
34 is not an assertion. It's a question. And the question is should PAYGO for the CIP be
35 less than \$30 million as proposed by the County Executive? And it is posed as a
36 question because it is a question, along with the other questions that are in -- at play
37 here. Tomorrow morning we are scheduled to have a discussion of the CIP
38 reconciliation that Mr. Orlin has prepared. And it seems to me that that would be the
39 appropriate time to vet the issues that you have raised. They are appropriate questions
40 and the Council ultimately will decide what the answer is, but tomorrow morning is when
41 we're going to have the full discussion of the CIP reconciliation that may or may not
42 involve in change this PAYGO.

43
44 Councilmember Elrich,



May 14, 2008

1 I guess -- Can I finished? Can I follow-up?

2
3 President Knapp,
4 Sure.

5
6 Councilmember Elrich,
7 I appreciate the fact that you put it on this memo. And just to be clear you're not the staff
8 member who one minute said don't go there and then the next minute said no problem
9 going there. So this is not meant as a criticism of you, but I was hoping that you might,
10 in this moment, illuminate me and other people about, from your opinion, what you think
11 is real or what is not real or what policies matter or what policies don't matter. And if
12 we're going to have this discussion tomorrow, I'd certainly like to hear from the
13 Executive Branch, or anybody else who opines about what is legitimate or not about
14 what is being done. Because I've, like I said, I have questions about this and I don't
15 believe the way the money was moved in the capital projects. I just, you know, it's far
16 too convenient and it's far too -- just like this is just a big game. We just, you know, put
17 everybody through anxiety for weeks and at the end of the day we can just move little
18 things here and there because it really doesn't mean anything. I'm trying to take what I
19 do here seriously, and I'm having a very hard time feeling like we're playing.

20
21 Unidentified,
22 Thank you. [applause].

23
24 President Knapp,
25 I want to turn to our Finance Director, but also to say that one of the things that occur in
26 the reconciliation process, though, is the Council's intent is outlined for projects that they
27 have specified to fund. And then staff do go back and look at the status of where those
28 projects are and try to assure that what has been presented to us is in fact the
29 appropriate timeframe. And that is a part of the reconciliation process. And so there are
30 adjustments that occur so I wouldn't say that that's necessarily playing, as is the case
31 with our budget now. You're trying to take the information that we get and then we're
32 trying to reconcile those pieces. And so to some extent I would say that is what our staff
33 has undertaken in working with the Executive Branch and working with MCPS. But I
34 think that they Executive Branch would also like to comment on the PAYGO policy that
35 the Council adopted last year as to whether or not we should maintain a 10% reserve in
36 current revenue in PAYGO. So I know that we all received that message from the CAO
37 yesterday afternoon, and so here is an opportunity to share that.

38
39 Jennifer Barrett,
40 I'd be happy to talk about it. First of all, Mr. Farber is absolutely correct. The PAYGO is
41 a funding source for the Capital Budget It is a bond offset, a substitution of current
42 revenues for bonds. And any reduction in PAYGO in the budgeting process does
43 require reduction in expenditures in the CIP. So it is properly discussed as part of that
44 conversation. And if you reduce PAYGO you must reduce expenditures, because it's a



May 14, 2008

1 funding source. That said I'd like to address some of the background in terms of this
2 relationship to the Operating Budget and how we got to the policy that we got to last
3 year. In the past several years the Council had used a reduction in PAYGO at the
4 budgeting time of year to solve a budget problem. And it became problematic because
5 our policy -- it changed all the time. We always tell the rating agencies, we disclose it in
6 the annual information statement that as our disclosure document for bonds, how much
7 we're setting aside as PAYGO, because it's viewed positively in the rating process
8 because it's reducing your debt costs, it's reducing -- it is showing that you have a
9 commitment to these capital projects that you would put some cash to it, and it provides
10 a lot of flexibility during the year. I think this was referenced in Mr. Firestine's
11 information provided to you. It's a place where during the year you have some flexibility
12 because you have PAYGO. You would have to reduce expenditures or defer a project,
13 but you have flexibility, just like we reduce expenditures in the Operating Budget mid-
14 year. But we became concerned because it kept being used for a budgeting tool. We
15 were opposed to that, and we proposed a policy that the Council set a policy of PAYGO
16 being 10% of the GO bond limit each year; so we could set a policy, have a plan in
17 place, and stick to it in the budgeting process. The three -- the 30 million in PAYGO was
18 used as part of the argument ongoing from 275 million to 300 million in annual GO bond
19 issues -- I'm sorry?

20
21 Councilmember Elrich,
22 Who made that argument?

23
24 Jennifer Barrett,
25 We did last year at the table.

26
27 Councilmember Elrich,
28 Okay.

29
30 Jennifer Barrett,
31 I think Mr. Firestine and -- I don't know for sure if Mr. Orlin picked up on it too, but it was
32 discussed at the time we were falling -- hi, Glenn -- that it was discussed at the time we
33 were picking up in the packet. But that -- the Council passed a policy to now, one year
34 later, change the policy and then go back on it is a problem for us, because we really
35 need these structural foundations for budgeting. And I can go off on my policy speech,
36 but there are several of them you're dealing with. I'll stick to PAYGO for right now.

37
38 President Knapp,
39 Please do, because we're actually doing all right as the discussion [inaudible] to others.

40
41 Jennifer Barrett,
42 And it really questions -- if we were to change it now I really question the validity of the
43 policy. It questions the validity of the rest of the five additional years that we were
44 showing at \$30 million. This all factors in to how much you spend in bonds, because we



May 14, 2008

1 have bonds planned for issues, we have PAYGO, and we have certain assumptions
2 about implementation rates, about inflation. That sets how much money you have
3 available to program. And so if you're changing in the budget process you are changing
4 your plan. And if we do it this year, it questions the plan for the remaining of the period.
5 So I see it as a mid-year solution. If we had a revenue crisis or an expenditure crisis in
6 the County, and it's something you can go to mid-year, it's appropriate for that. It's
7 another back up. And it's flexibility. But I am opposed to it strongly in the budgeting
8 process. That's why we put a policy in place.

9
10 Councilmember Elrich,
11 Can you tell us, either today or tomorrow, how much has been historically rated when
12 we do raid PAYGO? Do we raid the whole pantry or do we leave part of it there
13 normally?

14
15 Jennifer Barrett,
16 I believe Mr. Orlin could provide that.

17
18 President Knapp,
19 I was going to say -- .

20
21 Councilmember Elrich,
22 Tomorrow?

23
24 President Knapp,
25 I would also add to that I think it has also been a recommended funding tool for the
26 Executive Branch for many, many years as well.

27
28 Jennifer Barrett,
29 You're correct.

30
31 President Knapp,
32 So that has been purely ascribed to the Council. So I think it's important to put that out
33 there.

34
35 Jennifer Barrett,
36 I'm sorry. I apologize. That's correct.

37
38 Councilmember Elrich,
39 I'm fully willing to accept that everybody has raided it. I just want to know how big the
40 raiding parties are, and how much loot they carry away when they leave.

41
42 President Knapp,
43 But I think it's also important to let -- I think it's important to let Dr. Orlin explain since
44 some other recommendations coming from our staff.



May 14, 2008

Glenn Orlin,

Yeah, sure. As we spoke to you before, Marc, and other members of the Council; there's the spending that's in the CIP that's bond eligible that was planned was \$330 million. There was \$300 million in bonds -- General Obligation bonds, and \$30 million PAYGO. Which has Jennifer s correctly pointed out is an offset against what could be even more bonds. But we decided back last September, and again confirmed in February, that \$300 million with of General Obligation bonds was sustainable for each year over the next six years. The question is whether or not we actually needed in the end to spend \$330 million in FY09. And the reconciliation that I'm preparing shows that you do not. The reason for that is several things. The Main thing is what you talked about, which is we call technical adjustments, which we've done every year for the last several years. What happens is that the PDF, the project description forms, the capital projects that are presented by the agencies are prepared in the summer and in the fall. It's six, eight months later now. There is a lot more information about when projects can go forward. By the way, I heard something you said when I was upstairs, that's why I ran down here. None of these projects are delayed. Not a single project is delayed.

Councilmember Elrich,

Then what's the -- how do I play with the money?

Glenn Orlin,

What's happening is a project, if it's showing to be constructed -- let's take a school, which is going to be built in fiscal years 11, 12, and 13. The example I have been giving each of you is that it's planned [inaudible] to be \$5 million in the first year, \$6 million in the second year, and \$4 million in the third year. Now, talking to the Capital Budget Managers, and I've gotten all these numbers from them. I didn't make these up. They are saying, in this particular case, well maybe it's not 5, 6, 4, maybe it's 4, 6, 5. You're still starting in the same year. You're still ending in the same year. But look, you've moved a million dollars from the first year to the last year without changing a thing. It's foolish, I would say, to not recognize that. Now we have done that every year for the last 15, 20 years, and one question you might follow up in is well what happens to your implementation rate. We assume an implementation rate which is we're not going to spend every dollar we program. But guess what, as it turns out, we pretty much hit our marked and implementation rate every year even with these shifts. So it's perfectly fine to do that. Now whether or not you want to give up -- as we have talked with OMB in the last couple days, we can't give up \$30 million in PAYGO because there's the revenue stabilization fund needs about \$3 million, and I guess we're still researching whether or not there's any third-party projects.

Jennifer Barrett,

If I could get back to it. There are a couple more [inaudible]. The revenue stabilization fund, as Joe was whispering to me, and I'm sorry. We also use PAYGO for flexibility. But I want to say if we have savings and bond funded projects, then we should reduce



May 14, 2008

1 the amount of debt we issue, and save the money over the long term in terms of our
2 debt costs, not go to PAYGO. Because we're going to have to restore that PAYGO next
3 year; we will have used a one-time item for ongoing expenditures.

4
5 President Knapp,
6 Maybe. You're assuming it's an ongoing expenditure. It may or may not be depending
7 on what the Council uses it for.

8
9 Jennifer Barrett,
10 It depends on what the Council uses it for. That's true.

11
12 President Knapp,
13 So don't necessarily assume that. It could actually be used for property [inaudible] or
14 other things.

15
16 Jennifer Barrett,
17 But changing your policy is using it for budgeting instead of using it as a current-year
18 type of solution when you're running into a problem. Reduce -- if we have savings in
19 some school projects and reduce the bonds to school projects. And, again, as Glenn
20 was just mentioning, there is that issue of flexibility. We actually use PAYGO, I must
21 admit, to apply to some projects where I'm struggling a little bit with some aspects of the
22 project that may have a private purpose or a private payment aspect, and we apply
23 PAYGO in other places just to allow some flexibility. One example would be the Silver
24 Spring Library acquisition for the land. There are ways that we can -- it is GO bond
25 eligible. There are ways that I can work with bond Council. We can do very thorough
26 detailed analysis, and find a way to make everything bond eligible. But if I put PAYGO
27 to it, you've got all the flexibility in the world. I've also been applying PAYGO to the
28 Legacy Open Space program in Park and Planning, because it's a place where they are
29 buying some historical properties. They want to bring different uses, private uses into
30 them. So it does take away our flexibility if you reduced it all the way down to zero and
31 took that kind of an extreme action. That causes me great concern.

32
33 Councilmember Elrich,
34 Does it -- how does this deal with the other part of the issue which I thought was that for
35 \$300 million in bonds you wanted to have a 30 million, 10% contribution in cash? So
36 even if you reduce the amount of bond money being issued, don't you need the
37 commensurate amount of cash, or is that -- ?

38
39 Jennifer Barrett,
40 I would love for you to leave the 30 million there.

41
42 Councilmember Elrich,
43 I may -- well -- .
44



May 14, 2008

1 Jennifer Barrett,

2 Because it's just more conserved to leave your policy in place, to put cash towards your
3 capital budget, towards your capital financing; I mean it's a conservative policy.

4
5 Councilmember Elrich,

6 And when you would redo what gets spent where? See, you've opened up the hole in
7 this year when there was money. There were no capital projects that this Council said
8 don't fit this year, and so we're reluctantly putting them into another year that couldn't
9 come back to this year?

10
11 Glenn Orlin,

12 I'm sorry [inaudible].

13
14 Councilmember Elrich,

15 There are no capital projects -- I mean, we had the list of \$361 million worth of stuff
16 which doesn't fit in this budget.

17
18 Glenn Orlin,

19 Right.

20
21 Councilmember Elrich,

22 And we carefully tried to balance things over six years at 300 million a year. So you're
23 saying there are no projects that we put off that would have been funded this year if we
24 could have, but we just didn't have it within the 300 capacity; I mean, is the Executive
25 comfortable?

26
27 Glenn Orlin,

28 No, that's not true. In fact, one of the things that's in the reconciliation pack as we're
29 talking about possibility adding some projects back.

30
31 Councilmember Elrich,

32 So we're going to add projects back, and spend the same 300 million, and you're just
33 not going to -- and your view is that we don't need to worry about having a cash
34 contribution.

35
36 Glenn Orlin,

37 No, it would be a good thing to have the 30 million. It's a nice policy to have. But what I
38 was facing was that you're all considering going with less than a 6% reserve, which I
39 think is a bigger flag to New York than a 10% PAYGO. So Mr. -- Mr. Leventhal makes
40 this comment all the time, which is right on, which is that we have all these different
41 policies and it would be nice if we stuck with every policy all the time, 100% of the time.
42 We can't. We have to make tradeoffs. And this is one of them that's a possibility. Now if
43 you want to keep 30 million you can, and it has implications for the rest that you are
44 discussing today and tomorrow.



May 14, 2008

1
2 President Knapp,
3 Right.

4
5 Councilmember Elrich,
6 Okay.

7
8 Glenn Orlin,
9 But what we are learning today is that we're going to need to keep at least 3 million,
10 perhaps more. We'll be learning later on today what that amount is. But I still think the
11 bulk of it could be used for other resources.

12
13 Councilmember Elrich,
14 Do other jurisdictions contribute cash to their bond from their projects?

15
16 Jennifer Barrett,
17 Yes they do.

18
19 Glenn Orlin,
20 Sure.

21
22 Jennifer Barrett,
23 I don't have data on it, but yes they do. PAYGO is a recognized procedure, you know,
24 that the bond rating [inaudible].

25
26 Councilmember Elrich,
27 Would you call that normal behavior by jurisdictions, or is that just -- ?

28
29 Jennifer Barrett,
30 For AAA-rated jurisdictions, yes.

31
32 Councilmember Elrich,
33 It is, okay.

34
35 President Knapp,
36 Councilmember Ervin.

37
38 Councilmember Ervin,
39 Thank you very much. Fascinating conversation. First of all, there is no conspiracy
40 going on, on this side of the street. If there's any conspiracy at all it had to do with the
41 County Executive bargaining agreements for union members, and then turns his back
42 on them and throws the Council under the bus so that we have to make a decision to
43 fund your contracts or not fund the contracts. That's the conspiracy. [applause].
44 [cheering and applause].



May 14, 2008

1
2 President Knapp,
3 Okay.

4
5 Joe Beach,
6 Can I say something? The County Executive -- [inaudible] the opportunity to -- .

7
8 President Knapp,
9 Just a minute.

10
11 Councilmember Ervin,
12 And I want to congratulate our wonderful Council staff, specifically this gentlemen sitting
13 at the table, Glenn Orlin, who worked very hard with the Council to give us some
14 leeway, because we have very little room to wiggle here to give us the kind of budget
15 that we can vote on and be proud of. And thank you, Glenn, for doing that. It's only \$30
16 million. So there is no raiding going on. There is no conspiracy. We have a big budget
17 problem. We're trying to -- actually there is no budget problem. We could fund this
18 budget right now and not cut any -- not go into any COLA's. So I think now is the time to
19 be clear about the philosophical difference on this Council. Either we agree that
20 employees have the right to bargain in good faith with the Executive, and for the Council
21 to fund these budgets as they were intended to be funded. That's what we're doing here
22 today. A lot of this other stuff is just subterfuge. [cheering and applause].

23
24 President Knapp,
25 There we go. Okay folks. Mr. Beach followed by Councilmember Leventhal.

26
27 Joe Beach,
28 I just wanted to point out the County Executive's budget did fully fund the labor
29 agreements that he agreed to with MCGEO, the Fraternal Order of Police, and the
30 firefighters, as well. To do that he increased property taxes and he made several
31 reductions in the budget. So that should be clearly on the record. The County Executive
32 did support the labor agreements that he agreed to.

33
34 President Knapp,
35 Councilmember Leventhal.

36
37 Councilmember Leventhal,
38 I believe -- I look forward -- and I also want to thank Glenn for his work on the Capital
39 Budget every year. And the budget follows a certain rhythm. And at the end we
40 reconcile it. And we reconcile the Capital Budget, and then we reconcile the Operating
41 Budget. And every year when Glenn Orlin runs the numbers, he is very knowledgeable
42 and experienced; he is trying to figure out how hundreds of millions of dollars will be
43 spent over many years. We find that certain funds need to be spent in certain years.
44 This happens every year. Ike Leggett was a Councilmember here for 16 years, and I'm



May 14, 2008

1 pretty sure in 16 of those 16 some PAYGO was used to balance the Operating Budget.
2 And I'm pretty sure Ike Leggett voted for it 16 times. And I want to tell you I am very
3 proud to be an elected official in this County. And I'm very, very proud of the public
4 employees here in this room. [cheering and applause] And I want my colleagues and I
5 want the public to know that we have good government and we have good management
6 in Montgomery County. There is no looting. There is no playing. This is serious
7 business. No one is looting anything. No one is running away with any cash in
8 Montgomery County. We have clean government in Montgomery County, and I deeply
9 resent it when an elected official in this County suggests that we have anything other
10 than clean government, good management, and honest hard-working public employees.
11 We have hard-working Council staff that does this every year, balances the capital
12 budget. This is nothing new. Now Ms. Barrett, I appreciate your hard work as well. And I
13 understand -- I understand that the County Executive -- and you speaking on his behalf
14 -- would prefer that we do precisely what he asked us to do. Every item. Not hit PAYGO,
15 not hit the reserve, fund the property tax at exactly the rate and exactly the level he
16 suggested, fund the contracts as he suggested. I understand that's what the County
17 Executive would like. That's what he sent over here. The County Executive was a
18 member of this Council for 16 years. He didn't vote for precisely the budget that was
19 transmitted to him. That's not the way it works. And so as Councilmembers are working
20 with our honest, hard-working staff, to map out options that are ahead of us. It doesn't
21 serve any of us well to suggest that any of the honest, hard-working public employees
22 who are putting together these documents are somehow engaged in funny business or
23 play or even, as I say to my good friend Ms. Ervin, subterfuge. I don't think there's any
24 subterfuge. We are elected officials. We are trying grapple with a \$4 billion Operating
25 Budget, hundreds of millions of dollars in the Capital Budget. When you're dealing with
26 that much money you have a lot of options in front of you, and we're trying to work that
27 out. It doesn't serve any of us well to cast aspersions on any of our motives or to
28 suggest that anyone is pulling the wool over anyone else's eyes. It doesn't reflect well
29 on any of us who say it. We're elected to these offices to make these decisions. And
30 we're going to try and make the right decisions. We will not pass precisely a carbon
31 copy of what the County Executive sent to us. The Council never does. In fact the
32 Charter gives budget authority to the Council. We have the last word. So we're going to
33 look at PAYGO, as Ike Leggett did when he was here for 16 years. We're going to talk
34 about how much to raise the property tax. We're going to talk about this term that I don't
35 really appreciate here called employee participation, I think that's a synonym --
36 [applause] -- I think that's a euphemism for breaking contracts. [cheering and applause].
37 But let's do it in an atmosphere, and I say to my friends, the hard-working workers of
38 this Country -- let's do it in an atmosphere of a little less heat. Let's not cast aspersions
39 on each other. Let's acknowledge once more that all of us who are County employees in
40 this room, school system or county government employees are honest, that we have
41 good government in this County, we're going to try and make the right decisions.

42
43 President Knapp,

44 Thank you. [cheering and applause]. Councilmember Floreen?



May 14, 2008

1
2 Councilmember Floreen,

3 Thank you. I do agree with what Mr. Leventhal has said. And I do think we need to
4 focus on the subject before us. I think the fact remains, though, that every last one of us
5 has asked Council staff to turn over every stone, as we have asked County Executive
6 staff to turn over every stone, and help us find resources to fund a very challenging
7 budget. So what Mr. Orlin has proposed or suggested or located is a policy decision,
8 one to be revisited. Apparently we adopted this last year, Ms. Barrett? I have to tell you,
9 listening to your comments about how the world will come to an end if we change
10 course. If you want to look at changing course let's look at item number 8. That would
11 have to do with the pre-funding of retiree health benefits for all ages. Last year the sun
12 was going to shine no more if we considered adjusting the time period in which we
13 made this contribution, a very important contribution for retiree health benefits, but by no
14 means mandated anywhere on this planet as to a particular schedule. The sun was not
15 going to shine nor was the moon going to come up if we were to raise a question about
16 that. I lost that argument over and over and over again. And then looky here. This year
17 it's no problem. And so I will simply point out to you we're all trying to pull together to
18 find a solution to fund these contracts and to provide the services that we can afford for
19 Montgomery County residents. There are no games being played. But we have to also
20 be honest with each other about what is set in stone, which is, as my experience here,
21 is very little; and what we can adjust accordingly based on the circumstances. Very
22 public process, here we all are. There is no question about that. And certainly there can
23 be no question that we don't ask questions and demand supporting material which we
24 have as well. So I agree that we need to back off some of the heat of the conversation,
25 but let's also back off the lines in the sand that people are suggesting. Because they are
26 not lines; they are conversation points. And that's all they are as far as I'm concerned.
27 So, with respect to the PAYGO conversation, we're going to take this up again
28 tomorrow, Mr. Farber. But I have to say, based on Mr. Orlin's very careful work, I
29 certainly would like to have that on the table. And I'd like to have as much of it as -- we'll
30 talk about the revenue stabilization fund issue clearly. We want you to look at the
31 details. We want you to keep us in compliance with bonding requirements. But policies
32 are just that. They are policies. It's good to stick to them best you can, but best you can
33 is a really big gray area. And I don't think this is the year that we're going to have rigid
34 adherence to rules that don't make sense under the circumstances. [applause]
35

36 President Knapp,
37 Ms. Barrett.
38

39 Jennifer Barrett,
40 I agree that they are policies. It's the circumstances you're in. The change in the retiree
41 health funding was in reaction to the economic circumstances that we found ourselves
42 in building this budget. I know that you're trying to establish certain policies or goals as a
43 Council. I just -- having PAYGO as a tool for flexibility during the year is a very good
44 policy to have.



May 14, 2008

1
2 President Knapp,
3 Council Vice President Andrews?
4

5 Vice President Andrews,
6 Thank you, President Knapp, and welcome everybody. Well I hope everyone at least
7 agrees there is a budget problem. Because if you don't, then I think there are a lot of
8 residents out there in the County that are looking at a property tax increase of well over
9 \$100 million under the proposals we have before us that would beg to differ that there
10 isn't a budget problem in Montgomery County. And there are many ways to close the
11 budget gap. And I think it needs to be done in a comprehensive and fair and balanced
12 way that involves everybody including employees. I think employees need to do their
13 part. [boos].
14

15 President Knapp,
16 Folks. Listen up.
17

18 Vice President Andrews,
19 The amount of effort that needs to go into closing this budget gap is significant. It needs
20 to be significant from a variety of folks. We're asking, under any of these scenarios that
21 you're going to hear this afternoon, taxpayers to absorb the biggest property tax
22 increase in a long time. It would be unfair. In my view, to ask taxpayers to pay a tax
23 increase at that level in order to fully fund contracts for most employees that are 8%
24 next year.
25

26 President Knapp,
27 Council -- Council -- folks. Councilmember Trachtenberg.
28

29 Councilmember Trachtenberg,
30 Thank you, President Knapp. I also want to welcome all of you this afternoon for
31 coming, and obviously there are many folks in the room here that have very familiar
32 faces to me. And I want to actually just make some brief remarks. Again remind many of
33 you if not all of you in the audience actually where I stand. And I think that it is
34 recognized that throughout my life here in Montgomery County, in the last 20 years,
35 both personally and professionally, but really as an activist as well, I have stood with
36 labor, with unions on a number of issues. Everything from the Living Wage campaigns
37 both on the County and State level, to some of the work around organizing and making
38 sure that unions can organize. And just recently I indicated my support for such an effort
39 over at Montgomery College. While I have been supportive of those things, I also
40 recognize that I have an obligation. And as someone who has been elected as an at-
41 large member of this body, I represent a million residents. And many of those residents,
42 most of them, really don't have the opportunity to join a union, and they don't have the
43 opportunity to benefit from any collective bargaining agreement. And I think that's an
44 important fact to remember. That as we sit here and we actually make some very



May 14, 2008

1 difficult choices, it is my belief that I have to represent you, but I have to represent
2 everyone; and that is very much an awesome responsibility. And another part of that
3 also is recognizing that we have a responsibility to make sure that our fiscal standing
4 stays in place. And one of the opportunities that I have had here at this body since I was
5 elected is to really learn about the function of our county government, and
6 Councilmember Leventhal is right. We do have good government. And the people sitting
7 before us today who come from the fiscal department, the fiscal planning department,
8 are experts. And I've had the opportunity to work with them in the year and a half that I
9 have been here. And what I have learned in that is that we have to plan for the future.
10 So I happen to be one of those folks that actually think we have got to reduce our
11 spending, and we have to make a commitment to that. The problems that we face are
12 not one-year problems, they are multi-year problems. And I personally don't believe that
13 going into the reserve account, or even going into the PAYGO account, using maximum
14 dollars out of it, is really the right way to go. I don't simply see those as fiscal tools that
15 you use. I tend to agree with Ms. Barrett that those are the kind of things that you do
16 when you find yourself in severe difficulty, when you need something in your back
17 pocket, to be able to get us out of trouble. And I believe next year we're going to need
18 all the help that we can get. So, with that in mind, that I have taken some of the
19 positions that I have taken, over the course of the next hour or two, you're going to hear
20 some recommendations from the committee that I chair that you are going to agree
21 with, some that you are not going to agree with. But, again, I want you to remember that
22 as I sit here this afternoon I don't disrespect you, but I respect also the unrepresented
23 worker, the senior who is on a fixed income, the disabled, the mentally ill, and the
24 homeless. I hope that you can take that into account as you sit here this afternoon and
25 I, as my colleagues, will make our best effort today and in future days to evaluate
26 proposals on their merits, and to recognize that we do have obligations to you, but to
27 every resident of this county.

28
29 President Knapp,
30 Councilmember Elrich?

31
32 Councilmember Elrich,
33 Yeah. I want to clarify something for Mr. Leventhal. The reason I asked about PAYGO
34 was not because I wanted to avoid it, I was doing the very thing that you wished to do. I
35 inquired about it because somebody said you might want to look here. And so I said I'm
36 going to look here, because I -- my commitment was to find every penny every place I
37 could in order to make this budget work. What I was told wasn't the technical
38 explanation but a principled explanation. Not that we have managed to be able to
39 readjust things, and that's fine, but that I shouldn't do it. That would be the wrong thing
40 to do. And that's my difficulty in this. I mean it -- we, you and I and all of us saw sheet
41 after sheet for the last God knows how many weeks of different ways to try to bring this
42 budget to zero. And this thing never appeared on any of their sheets until the very end.
43 And I'm glad I went there, and I thought that, you know, we had identified some money
44 that could be taken from there. My problem is, frankly, being told one minute it's a



May 14, 2008

1 principle and the next minute it's a not. I would have been much happier if I had been
2 told you can do this, it's just a -- you know, we're doing technical adjustments. Maybe
3 something will be freed up. I have a hard time with being told, you know, you shouldn't
4 do it. It's the wrong thing to do. And then the next day it's like it's the okay thing to do. I
5 think that, you know, we need -- I think -- I've heard a lot over the last few weeks that
6 everything will be fine, there are these tricks. As a Councilmember we should all know
7 what the tricks are. George, I know you're bothered by that word, that's not a word I
8 invented. This is what people said to me -- senior colleagues. This is the way to be
9 done, there are other tricks, there are other places for us to go. You need to have an
10 absolutely transparent budget process. If PAYGO is something to use, PAYGO should
11 have been one of the things that all of us were told to think about this and make a policy
12 decision while you're pondering this over the last five weeks; not, hey how does this
13 sound now with three days to go, great idea huh. I mean there are other ways to do a
14 budget process. I think we need to fine a more transparent way to do a budget process.
15 Everything needs to be on the table. I know for your next year PAYGO is going to be on
16 the table from day one when I'm looking to try to put a budget together. But I wish all
17 these things had been on the table from day one to start with. It might have saved some
18 anxiety, and it certainly would have given people more options than what people felt
19 they had. And that's one of the frustrating things is that, you know, not fully understand
20 what the range of your options are, and then to discover there are new ones. PAYGO
21 isn't new and that should have been discussed before.

22
23 President Knapp,

24 I would just respond that, again, I think it's an unfortunate use of words. I've had a lot of
25 conversations as Council President with all of our colleagues, and I don't think anyone
26 has identified the notion of tricks. I think there are lots of policies; there are lots of
27 resources that this County has that are governed by those policies as Councilmember
28 Trachtenberg, the Chair of the MFP Committee, has indicated. How we use those
29 policies and what policy choices is the discussion we have in the course of the budget. I
30 will agree that one of the frustrating things during the course of this process is there are
31 a variety of resources. Each year we fund a budget as different alternatives, different
32 choices, revenue estimates are different, and you're balancing different activities and
33 different competing priorities. It modifies from year to year. And the challenge especially
34 for a Councilmember that exists is you won't have necessarily experienced the array of
35 all of those options. And so you may not know the alternatives that are in front of you.
36 And I think it is frustrating. And so we have staff that is trying to present us with options.
37 Oftentimes there are options that aren't presented unless asked. And that does become
38 frustrating. But to the points that have been made earlier by other Councilmembers, I
39 think be they Executive staff, be they Council staff, be they the folks in this room, we do
40 have very hard-working folks who are trying to make sure that this County operates as
41 well as possible. And I think what people are trying to do is to look at the policy choices
42 that we have in front of us and present us alternatives as opportunities become
43 available. And I think that's where we are right now. And so I don't think that it's tricks. I
44 don't think that it's gimmicks. I think we have a fairly transparent process. Actually we



May 14, 2008

1 have a very transparent process. In fact, every document that this Council has used for
2 its analysis and assessment is available on our website. The tracking sheet of every
3 action that the Council has taken is captured in the document that we have before us
4 now. We have three preceding that. We have the Executive's tome of documents, which
5 I don't know how many thousands of pages are there. We have any numbers of issues
6 that are there for us to look through to make available to the public. They are difficult
7 sometimes because there are so many, but I think it's important for us to recognize it's
8 not tricks, it's not gimmicks, it's a big budget, it's a big county; and we're trying to come
9 up with the best way to do it. And oftentimes there are different policy choices that we
10 can make to get to a different point. So I think that -- I appreciate the frustration of
11 Councilmember Elrich; by the same token, I don't -- I think it's important for everyone
12 here and everyone watching us to know that we have a transparent process. We have a
13 good government process. And we are trying to make it as readily apparent as we
14 possibly can. When this issue presented itself as it related to PAYGO, it's now in front of
15 us, and we are talking about it and considering it. I think that's exactly the transparency
16 that we are after. I turn to Councilmember Leventhal for one more comment on this
17 round. And then we'll actually go to the Consent Calendar and get into the issues that
18 we actually have to address today.

19
20 Councilmember Leventhal,

21 It will occur to all of us elected officials that we will ask staff for staff's advice and
22 opinion, and we'll get it. And then we will either follow it or we won't, because we're the
23 elected officials and we will a decision. So if my colleague and neighbor Mr. Elrich was
24 told something by staff and later he found new information or new information came to
25 light or he found that he needs to make a decision that may be contrary to what he was
26 advised by staff, I assure him that it will not be the last time. That will happen in the
27 future again. And so all of us have to filter and weigh and gauge the different inputs that
28 we get from our staff and from our constituents and from lots of different sources. And
29 new information comes to light. And in the budget process new information always
30 comes to light at the end when the Capital Budget is reconciled and when the Operating
31 Budget is reconciled. That's just the rhythm of the budget. There is always a different
32 set of numbers in the middle of May than there is in the middle of March. That's always
33 the case. So that's the way it works around here. And I have to say, with the press
34 reporting what Councilmembers say, and with television cameras rolling, and with the
35 public watching, when we communicate to the public that we're employing tricks or
36 looting or conspiracies or subterfuge, I think we convey a message to the public that we,
37 who have responsibility for the way this place is run, are not acting in good faith and not
38 adhering to the tradition of clean government and good government in Montgomery
39 County. And I think that does all of us a disservice and I think it's factually wrong. [
40 applause].

41
42 President Knapp,

43 Quickly. We have got to get to the business.



May 14, 2008

1 Councilmember Trachtenberg,
2 Yeah. I just want to make a quick remark in response to Councilmember Leventhal's
3 remarks, again, which were right on point and I would agree with completely. But I also
4 want to raise another issue which is if we're going to have this conversation and let it be
5 an adult conversation that means that I don't believe finger pointing to colleagues or to
6 the County Executive is productive at all. We can have difference. We can have
7 reasonable differences. And I don't believe that we have to personalize anything. And I
8 really want to put that on the table because I, myself, have been the object of a lot of
9 vilification. And I'm -- I don't intimidate easily. I don't have a problem with it. But I
10 actually just want to set the boundaries right out this afternoon that it doesn't do anyone
11 any good to attack another personally, if you have a policy difference, and in effect,
12 that's what we might have this afternoon.

13
14 President Knapp,
15 Okay. I believe this concludes the status report on the overview of the FY09 Revenue
16 and Expenditures. Now turn to the Consent Calendar. I need a motion for the Consent
17 Calendar?

18
19 Councilmember Ervin,
20 [Inaudible].

21
22 President Knapp,
23 Moved by Councilmember Ervin. Is there a second?

24
25 Councilmember Trachtenberg,
26 Second.

27
28 President Knapp,
29 Seconded by Councilmember Trachtenberg. And recall that we have deferred action on
30 Item A, so the Consent Calendar before is Action is B, C, and D. Is there any discussion
31 on the Consent Calendar? Seeing none -- all in support of the Consent Calendar
32 indicate by raising hand. That is unanimous. Thank you very much. We now turn to
33 District Council session. We have before us action on Resolution to Amend Fees for the
34 Department of Permitting Services. As was discussed in the course of the Operating
35 Budget, the PHED Committee reviewed this as a part of our overall analysis of the
36 Department of Permitting Services budget, and concurred with the Council staff
37 recommendations regarding fees, and that was effectively to establish -- remove new
38 fees associated with none conformance with sign and home occupation requirements.
39 Are there any questions or comments on the resolution? Seeing none -- do we actually -
40 - do we need a motion for each resolution, Mr. Farber?

41
42 Councilmember Trachtenberg,
43 Yes.



May 14, 2008

1 President Knapp,
2 Okay, we have the committee recommendation before us. Seeing no further discussion,
3 all in support of the committee recommendation please indicate by raising your hand.
4 That is unanimous. Thank you very much. We now turn to action on the following:
5 Resolution to Set the Amount of Property Tax Credit for Income Tax Offset; Resolution
6 to Amend the Fuel Energy tax rates; Resolution to establish Carbon Surcharge on the
7 fuel/energy tax rate to reflect greenhouse gas generation; and I believe that is MFP
8 Committee?

9
10 Councilmember Trachtenberg,
11 Yes it is. Thank you, President Knapp. Again, we'll start with the first item on the Action
12 Agenda, which is the Resolution to set the amount of Property Tax Credit. And back on
13 Friday, May 9th, the MFP Committee discussed the Executive's proposal to increase
14 property taxes in FY09 by 14.7%, \$138 million above the Charter Limit. The committee
15 primarily focused on the distribution of property tax between rates, increases or
16 decreases, and specifically credits for owner-occupied homes. The committee
17 recommended reducing the rate by 2 cents, and providing a credit of \$361 per home,
18 assuming the Executive's amount for property tax. If the Council reduces the
19 Executive's amount, which I hope we will, the credit would be larger. The committee
20 preferred this approach rather than the Executive's, which would have raised the rates
21 by 7.5 cents and provide a credit of \$1,014. And we preferred this approach specifically
22 for three very distinct reasons. The Executive's approach results in a 20.7 increase in
23 property tax for the average apartment building and rental property for small business.
24 And that is on circle 1 of the -- I believe, in this packet. Although I might -- no, actually I
25 might not -- I'm not quite sure where it is. Staff can probably direct us to it. Owners
26 would pass this increase on to renters, many of whom have low incomes, and obviously
27 can ill-afford to pay additional rent. Again, concerns were raised by all three of us on the
28 committee; Councilmember Ervin certainly was passionate about this, given the high
29 number of rental units in the district that she represents. We also preferred the
30 committee approach to the Executive's because property tax in FY09 for owner-
31 occupied homes should be comparative to tax in FY05, actually the year before the
32 Council began to provide the annual credits. And comparing property tax in FY09 to 8
33 alone distorts this comparison. And under the committee's approach the five-year total
34 property tax increase for homeowners is modest and, we believe, progressive. For
35 example, the total increase over the last five years for the average home with a
36 \$415,425 taxable assessment in '09, is just 17.1. And for a home assessed at 990 the
37 five-year total increase is 24.6%. And the third reason that we preferred our approach to
38 the Executive's is that we believe, under our approach, the effective tax rate for FY09 is
39 reasonable, progressive. For example the effective FY09 tax rate for the average
40 homeowner is 79.6 cents per hundred dollars of taxable evaluation. And for a home
41 valued at \$990,000 the effective rate is 84.7 cents. In subsequent conversations with
42 colleagues on the committee, there has been further agreement; again, two members of
43 the committee do support reducing the \$138 million number to 118; that is myself and



May 14, 2008

1 Councilmember Andrews, and Councilmember Ervin opposes that recommendation. So
2 that would be the full recommendation as proposed by the MFP committee.

3
4 President Knapp,
5 So to clarify, the recommendation is a 2-cent property tax rate reduction -- .

6
7 Councilmember Trachtenberg,
8 Yes.

9
10 President Knapp,
11 Off of existing rate. And then a \$20 million reduction from the Executive's overall
12 property tax of 138 million to take it down to 118.

13
14 Councilmember Trachtenberg,
15 Correct. And, at committee's direction, we asked staff to prepare an additional chart with
16 more comprehensive information on exactly the breakdown. And I know Mr. Sherer is
17 with us to -- and is going to be discussing this. And I see he has got copies of this for
18 everyone as well. So I'll make sure -- we'll make sure everyone does get a copy of it.
19 And, Chuck -- .

20
21 Councilmember Ervin,
22 President Knapp, I have a question just for a point clarification before we move on.

23
24 Councilmember Trachtenberg,
25 Sure.

26
27 President Knapp,
28 Okay, we're not going any place yet. I just want to make sure we have that information
29 handed out first. And I was going to turn it over to Councilmembers for questions.
30 Anything further from the MFP Committee Chair?

31
32 Councilmember Trachtenberg,
33 No. But I do think it would be useful if Chuck walked us through the breakdown.

34
35 President Knapp,
36 Just a minute. Councilmember Ervin? [Inaudible]. No, people wouldn't --
37 Councilmember Ervin.

38
39 Councilmember Ervin,
40 Thank you very much, Council President.

41
42 President Knapp,
43 Councilmember Ervin, member of the committee?



May 14, 2008

1 Councilmember Ervin,

2 Yes. My recollection of the committee's recommendation is not what I just heard the
3 committee Chair say. I thought what the committee recommended last Friday was a 2-
4 cent reduction.

5
6 Councilmember Trachtenberg,
7 Yeah.

8
9 Councilmember Ervin,

10 But we did not add any extra money onto that. There was no 20 -- there was no
11 discussion in committee about \$20 million and a 2-cent reduction. So, if -- that's not my
12 understanding of what came out of committee.

13
14 Councilmember Trachtenberg,

15 Okay, Valerie, you are correct that on Friday we chose not to set any reduction number.
16 And in subsequent conversations through staff with both Council Vice President
17 Andrews and Sonya Healy from your staff, there was a discussion about whether or not
18 we would actually reduce the \$138 million. And it clearly -- I had conversations with the
19 Council President about providing a more full and complete framework by which to have
20 the conversation. And it is my understanding from my senior staff that you were not
21 comfortable at this time going for a \$20 million reduction, but it's my understanding that
22 the Council Vice President -- .

23
24 Councilmember Ervin,

25 That's precisely why I'm bringing this to the attention of the full Council. I would like to
26 just take that vote right now, since we did not vote in committee.

27
28 President Knapp,

29 No, that's fine. That what I -- I was going to -- it's a committee recommendation, we
30 have a majority.

31
32 Councilmember Trachtenberg,

33 Okay, we can do that.

34
35 President Knapp,

36 If it's a committee recommendation, we have the majority -- so the committee -- as the
37 committee has recommended its \$20 million reduction from the proposal from the
38 Executive, and a 2-cent rate reduction from the -- on the existing rate. Is that a full
39 committee recommendation?

40
41 Councilmember Trachtenberg,

42 Yes.

43
44 President Knapp,



May 14, 2008

1 Okay. We have two committee members.

2
3 Councilmember Ervin,
4 I just wanted to do it publicly, because apparently there is a lot of conversation back and
5 forth, and I want to be very clear on my position on that. Thank you.

6
7 President Knapp,
8 So was that a 3-0 recommendation from the committee?

9
10 Councilmember Ervin,
11 No it is not. I am not in favor of cutting \$20 million, and that's where I'm voting.

12
13 President Knapp,
14 Okay. So it's a 2-1 committee recommendation.

15
16 Councilmember Trachtenberg,
17 Correct. There's agreement on the 2 cents.

18
19 President Knapp,
20 Right.

21
22 Councilmember Ervin,
23 [Inaudible].

24
25 Councilmember Trachtenberg,
26 Uh-huh. And there's not an agreement on the 20 million. As I said.

27
28 President Knapp,
29 Anything else Ms. Ervin? Councilmember Floreen?

30
31 Councilmember Floreen,
32 Well I've got a question about that.

33
34 Councilmember Trachtenberg,
35 I figured you would.

36
37 Councilmember Floreen,
38 Is there a chart that shows the impact on the homeowner, their percentage change?
39 This shows the dollar change. What's making me nuts, I have to say, about this
40 conversation, is that we never confront the issue before us, which is what can we afford
41 in this County? And what can the average homeowner afford? What can we -- is this
42 budget affordable? We are backing into the conversation with credits and this and that,
43 but the question is how much do we have -- how much should we spend? How much
44 can people own homes afford to pay in terms of increases in property taxes? And, um, I



May 14, 2008

1 just have to say this has been a very frustrating conversation for me over the past few
2 weeks, because I don't think we have yet to confront that point. Only in, you know,
3 subsets of recommendations, and even here we don't have that information now when
4 we're supposed to make a decision. I don't think anybody here has ever run for office so
5 they could raise taxes. I think people -- and I don't think that's -- surely doesn't come up
6 much in public forums. But people do expect us to do the right thing, to ask the right
7 questions, and worry about it. The real question is, is this budget, this proposal
8 affordable for the average person? I have to say, at least based on what I read in the --
9 and I -- that's why I said a couple -- last week, I don't think we can afford it. That's my
10 view. I think we should fund the contracts. I think we should -- [cheering and applause].
11 But I do think we have to look at our spending practices. And part of it -- also look at the
12 possible puts and takes within the budget, turning over the stones as we have done with
13 the PAYGO conversation, and other conversations. But my question is, is this
14 affordable? I -- so I would really like to see a run sheet on this that shows the
15 percentage increase in -- that property owners would be expected to bear under this
16 proposal? I liked -- I will tell you all, I liked the recommendation or potential
17 recommendation at the bottom of page 2 of the packet which says, if the property -- if
18 the Council reduces the property tax revenue target by 40 million and keeps the 2-cent
19 rate reduction that the MFP committee recommended, the credit could increase to \$524.
20 There is, on circle 6 and 7 here, it shows us what that would mean. And what I am
21 taking as the -- is this right, Chuck, the average property value now, is it about 400,000?

22
23 Chuck Sherer,
24 The average in FY09 is 415,425.

25
26 Councilmember Floreen,
27 Okay. So that's for '09. So this would propose an -- basically a 12 -- there would have
28 been a 12.4% property tax increase for those properties over the four-year period as I
29 understand it. That's what that says.

30
31 Chuck Sherer,
32 This is -- you're on the \$40 million reduction?

33
34 Councilmember Floreen,
35 Yeah, I'm on circle 7, that's 12. 4.

36
37 Chuck Sherer,
38 12.41 is for the \$400,000 home.

39
40 Councilmember Floreen,
41 400,000. So let's agree it's around there.

42
43 Chuck Sherer,
44 11.4 -- yeah, around 12%.



May 14, 2008

Councilmember Floreen,
Around there.

Chuck Sherer,
And that's over that five-year period,

Councilmember Floreen,
Over that five-year period; because the committee recommendation that we came in
with, at least, was at 17.9% for that valued property over the same range.

Chuck Sherer,
That's right.

Councilmember Floreen,
I think that's too high. I would be interested in the percentage number for what is the
revised committee recommendation. But the question is how much can folks who have
to pay \$4 a gallon for gas, also afford to pay in terms of increased property taxes? I
think this is part of our balancing act. I'd certainly like to keep this on the table as we
work through it. Based on the numbers I have seen so far, we could pretty much get
there. With, actually, shock upon shock -- reducing some spending. It could be done
and it is conceivable that the world would continue to turn; possibly, maybe not, but
possibly. But I would like -- at least like that number to be on the table as we go forward,
Mr. President. I think the real question is how much can our residents afford. And that
affects what we can afford to fund in a budget.

President Knapp,
Is that a motion?

Councilmember Floreen,
Yes. That would be my motion to take the -- .

Councilmember Trachtenberg,
What is the motion?

Councilmember Floreen,
To look at the 2-cent reduction, reducing the property tax revenue target by 40 million,
and with an increased credit of \$524.

President Knapp,
So there is a motion to amend the committee recommendation. Is there a second? The
motion fails for lack of a second.

Councilmember Floreen,



May 14, 2008

1 Oh well.

2
3 President Knapp,

4 I will just say though, I think, as we continue this conversation, that one of the elements
5 I have heard from most Councilmembers is the element of reducing property taxes or
6 reducing from what has been proposed. I don't want anybody to go away thinking they
7 are going to pay a lot lower property taxes, because that wouldn't necessarily be
8 accurate. But I think everyone is working towards that outcome. And so I appreciate the
9 sentiment raised by Councilmember Floreen. I think everyone is working to try to get to
10 that kind of -- to that kind of an outcome. Councilmember Leventhal.

11
12 Councilmember Leventhal,

13 The discussion we had on PAYGO highlighted that it would be nice if we had more cash
14 and if we could reduce our bonded indebtedness. It would be nice if we didn't have to
15 raise taxes at all. It would be nice if everything were free. It would be nice if we could
16 have, you know, ice cream for breakfast every day.

17
18 Councilmember Trachtenberg,

19 I don't. That's debatable.

20
21 Councilmember Leventhal,

22 We can't have everything we want and not everything is free. And if we want to
23 compensate our employees at whatever rate the challenge we're facing is, is that
24 revenues are down and we're going to have to do some things that we don't want to
25 do. I don't want to raise taxes. Nobody wants to do it. But even under the committee's
26 recommendation it's going to be a significant tax increase.

27
28 Councilmember Floreen,

29 Yeah.

30
31 Councilmember Leventhal,

32 And so for the 2-1 recommendation of the committee to reduce the total property tax
33 revenue by \$20 million, I'm not going to vote for that right now. I don't -- that's not where
34 I am. And we have got a lot of undesirable choices. I am trying to follow the debate, and
35 I'm trying to understand what my colleagues are putting forward. And I agree that there
36 are things on this reconciliation list that probably don't have to come off. So if what Ms.
37 Floreen is suggesting when she says we can spend less is we don't have to do
38 everything item on the reconciliation list, I agree with that. And it's going to be a long
39 night for the Council President and hard-working staff. And we're going to take a hard
40 look at every item and see how much we think we need to spend. So I think there are
41 some spending increases that we suggested that we could probably not do. I don't know
42 how much ultimate property tax revenue we're going to need, but I'm not going to vote
43 for the committee's recommendation right now because I think it would be a mistake to
44 catch ourselves \$20 million short. And, frankly, I don't think the taxpayers are going to



May 14, 2008

1 applaud us for going 118 million above the Charter Limit rather than \$138 million above
2 the Charter Limit. I don't think the, you know, we're going to be, you know, get hugged
3 every time we go to the supermarket for that small of a reduction in the property tax
4 increase. So I'm not -- so just for the record, I'm not voting for the committee's
5 recommendation. I will vote for the rates, though, let me just say on that. We got a tough
6 balancing act here.

7
8 Councilmember Trachtenberg,
9 Okay.

10
11 Councilmember Leventhal,
12 And every year again, you know, these are things we do every year. We're using this
13 credit as an opportunity -- and I've supported it every year -- to shift the tax burden away
14 from individual homeowners and on to businesses. And at some point we have to ask
15 can we do the same device every single year or is there some point in which we have to
16 look at overall impacts, because money is just passed through. If you charge a
17 business, a retail business more in property tax, the price is going to be passed through
18 on your retail price. If you charge a gas station more for property tax, they are going to
19 raise your gas prices, Ms. Floreen. So there is a point at which every tax increase is
20 going to get passed through. We're not -- we're all taxpayers, we're all consumers, we
21 all do business with business. If a movie theater has to pay higher taxes, we're going to
22 see it when we go to the movies on ticket prices. So there isn't any safe way to tax the
23 man behind the tree. The man behind the tree is us. The taxes are going to be passed
24 through straight to us, whether it's commercial rate, residential rate. If you impose tax on
25 rental property, as has been pointed out, it's going to get passed through to tenants who
26 can least afford it. So I do support the committee's recommendation for moderating
27 somewhat the degree to which the burden is shifted with respect to individual
28 homeowners, vis-à-vis individual renters and individual businesses. We're still giving a
29 credit under the committee's recommendation to individual homeowners. We've done
30 that every year, and the burden has dramatically increased every year on the
31 commercial sector in order to protect the residential sector. And I've voted for that every
32 year, but I think the committee's end judgment on that is appropriate and I support it.

33
34 President Knapp,
35 Councilmember Elrich.

36
37 Councilmember Elrich,
38 I continue to support the County Executive's proposal on the taxes. I think that people
39 are wrongly focusing on the tax rate rather than what people are being asked to pay.
40 And I thought the County Executive did the right thing by saying, I'm going to race the
41 tax rate but I'm going to give the largest possible credit to have the smallest possible
42 impact on homeowners in Montgomery County. And what the committee
43 recommendation does is result in, for most homeowners in Montgomery County, several
44 hundred dollars in additional new taxes over what they paid last year. The Council may



May 14, 2008

1 have been shifting some of the burden from residential property to commercial property,
2 but over the long run, the burden has actually been traveling the other way. It's
3 commercial property that has paid less and residential property that has paid more. And
4 it's paid more because of inflation in residential property values. Tenants have the
5 ability, right now, of using the State renter tax credit. I would suggest that this Council
6 go to the State Legislature and ask for authority, as we have done with the
7 homeowners' tax credit, to implement a local Montgomery County renters' tax credit
8 parallel to the State's renters tax credit so we can more carefully target who gets
9 impacted by these increases. But numbers from the County Executive show that the
10 average increase over a year on an apartment is about \$100, \$101. The increase on
11 most homeowners is much larger than that. There are 78% of the homeowners in this
12 County have property that is valued less than \$500,000. The committee's proposal at a
13 property at \$700,000 is roughly the same impact on an owner. There are 90 -- what is it
14 -- 93% of the people in this County -- no, 89% of the people in this County -- 90, 91, I'll
15 go back -- 91 have property worth less than \$700,000. So for 91% of the people this
16 Council is going to vote for a tax proposal that's larger than what the County Executive
17 did. No one is going to remember that you guys lowered the rate. No one is going to
18 say, gosh, the rate was 90 cents; it's 88 cents last year, thank you very much. What
19 they're going to remember, if you're a homeowner, is first you're going to get a note
20 from the mortgage company that says your escrow payment is not adequate to pay this
21 year's taxes that are due in September. That will be followed by an adjustment to your
22 escrow, not just for this year, but for the taxes that are due in September, because they
23 have collected enough. I mean, any of us who have been in this before, who've gotten,
24 you know, as a Takoma Park resident, a surprise tax increase. And you wind up getting
25 the note, and you get a double adjustment. Because for the first year they've got to
26 make up the escrow that they didn't adequately collect, and then they've got to make
27 sure they've got enough escrow in the bank for the next year's tax payment. So the first
28 year people may well get double hit by the impact of the escrow, not just the single hit.
29 And that's what people are going to remember. They are going to remember it every
30 time their check goes out to the mortgage company. I much prefer the County
31 Executive's proposal for doing this. It raises the same amount of money. I'm happy to be
32 at 138. I've supported 138 from the beginning. I understand there's discussion about
33 using that as the total amount of taxes and offsetting some of the property tax with other
34 taxes. And that's fine. But I do not want to start out by going below the Executive's 138.
35 And I don't want to start out by putting this additional tax burden on most Montgomery
36 County residents; on 91% of the County residents we are raising taxes. And that does
37 not -- just doesn't make sense to me; doesn't make sense to me given everything
38 everybody has said about what's the capacity of people in this community to bear
39 additional taxes. I can be sure that most of the workers in this County are not living in 6
40 or \$700,000 homes. You are probably living in, you know, the \$200,000 to \$300,000
41 apartments or condo range. And for you, you're looking at \$300 in additional taxes that
42 don't need to be there if this Council would keep the taxes on commercial property. I ran
43 a list of properties on old Georgetown Road, Wisconsin Avenue and Rockville Pike.
44 About 110 properties save -- what is the number, \$2 million; 110 huge commercial



May 14, 2008

1 properties, car dealerships, office buildings, save \$2 million. Who is being protected
2 here, the poor renters or the guys who own the car companies and the guys who own
3 the big office buildings? I support the County Executive. He is right, if there's going to be
4 pain we should minimize the pain on the working middle class families in this County
5 and we should put it on the commercial sector. And to the question about things get
6 passed through; who do homeowners pass it through? Who are you going pass this tax
7 increase through to? We're the ones that never have anybody to pass it through. People
8 say businesses will leave the County? Well what are homeowners going to do? I mean
9 the unions keep telling us that they can't afford to live here, and they are leaving the
10 County. So I think that the Council is going the wrong direction, it's putting an onerous
11 burden on the average Montgomery County taxpayer. The people who benefit from this
12 are the people who own property that's worth more than a million dollars, and that's
13 2.7% of the County residents. That's the wrong thing for this Council to be doing, and I
14 will not support this proposal from the MFP Committee.

15
16 President Knapp,

17 Okay. [applause]. I had a question for, I guess Mr. Faden. As I understand it, given
18 what the Executive has proposed with the credit that is actually at or just below the
19 State credit limit, is it not?

20
21 Michael Faden,

22 That's what they calculate it to be essentially right at the limit as they interpret the State
23 Law.

24
25 President Knapp,

26 And what does that credit limit rise to next year?

27
28 Rob Hagedoorn,

29 Mr. President, 1,075 for FY10.

30
31 President Knapp,

32 So about \$60 more than this year?

33
34 Rob Hagedoorn,

35 That's correct, based on our assumption on the income tax.

36
37 President Knapp,

38 But if that's the case, then, wouldn't effectively -- even if we stayed at the Charter Limit
39 next year, virtually every household in Montgomery County would then have a higher
40 property tax bill than this year?

41
42 Councilmember Floreen,

43 Yes.



May 14, 2008

1 President Knapp,
2 Every household. So, and to some extent -- I think that's accurate. Okay. So then to
3 some extent all we're doing is moving this out. I mean we can say, gee, some people
4 may pay more this year than last year, which actually last year was a significant
5 anomaly. But under the current credit program everybody is going to pay more next
6 year. So we can try to come up with a consistent approach, or we can have another
7 really big blip out there, and then everyone, there isn't a household that is going to be
8 held harmless because there's nothing else we can get back in the way of a credit;
9 right? I mean, effectively.

10
11 Jennifer Barrett,
12 Yes. And one thing, if I could just insert into the conversation, keying off something Mr.
13 Elrich said. The MFP packet of recommendations, as you're all very aware, are
14 reflecting this four-year change. And it may be useful to look over that change over four
15 years. But the Executive did want to state that we really do believe you should look at
16 the one-year change in addition. You pointed out a great point about the escrows,
17 because that's where it's going to hit people; their mortgage payments will go up for
18 those that have mortgages and pay taxes their escrows. And it's really -- because some
19 of the -- when you compare the change to what the Executive recommended, it has a
20 negative impact on the regressivity (sic) when you're looking at the one-year change
21 versus the four-year change. So for whatever options that is this Council would like to
22 examine further, I would like the opportunity for us to go back and present those both. I
23 mean Mr. Sherer is doing a very adequate job of presenting it that way, but to also have
24 the one-year change included in your packet for your consideration. I have it for the
25 committee's original recommendation but not for the revised recommendation.

26
27 President Knapp,
28 All right. Excuse me, Councilmember Floreen and then Councilmember Elrich.

29
30 Councilmember Floreen,
31 Just a point of clarification. I just wanted to be clear on sort of Jennifer's point as well.
32 We do not have a run sheet, Chuck, that shows a percentage increase based on the
33 revised -- .

34
35 Councilmember Trachtenberg,
36 No, not here.

37
38 Councilmember Floreen,
39 Committee.

40
41 Chuck Sherer,
42 I do not have any calculations to cut 20 million from the Executive's. I don't have them in
43 this packet.



May 14, 2008

1 Councilmember Floreen,
2 You don't have any of those?

3
4 Chuck Sherer,
5 I have them upstairs.

6
7 Councilmember Floreen,
8 It would be ever so -- perhaps a staff could share them with us before we conclude
9 either today, or certainly before we take this up again tomorrow, to understand it?

10
11 Chuck Sherer,
12 Sure.

13
14 Councilmember Floreen,
15 I mean we have it for all the other options.

16
17 President Knapp,
18 And the 20 million.

19
20 Councilmember Floreen,
21 And it's very difficult to appreciate the impact on the average homeowner. That -- I think
22 that is what we're all talking about one way or the other.

23
24 Councilmember Trachtenberg,
25 Uh-huh.

26
27 Councilmember Floreen,
28 So if we could get that.

29
30 Chuck Sherer,
31 Certainly.

32
33 President Knapp,
34 Councilmember Elrich?

35
36 Councilmember Elrich,
37 In one of the examples here is a property valued at \$200,000, and the difference in the
38 two tax scenarios. For somebody whose house is only \$200,000 is \$351 for somebody
39 in that -- in a house in that value range. What I would propose, and I've asked for this
40 and I've yet to see it, would be a variable credit. I was told that we could use a variable
41 credit rather than using a uniform credit. And it seemed to me -- I asked this question of
42 our legal staff, any way. And I know that there is some complexity to it, but rather than
43 having it varied by every 10,000 or \$1,000, I would have been happy to use a greater
44 credit at the 50,000, 100,000, or lesser credit there because those houses are actually



May 14, 2008

1 getting a greater tax reduction; and hold those houses to no tax increase, and then
2 spread some of what is there among some of the brackets above 300,000 that are
3 taking a deeper hit in the tax to kind of soften it a little bit. It wouldn't affect the amount
4 of revenues we raised. We would still raise the same amount of money. It would
5 address some of the folks who are getting hardest -- more hard hit under the
6 Executive's proposal. But I still would rather stick, if no nothing else, with Executive's
7 proposal than the committee's.

8
9 Jennifer Barrett,
10 I'm looking in my staff. There may have been an accurate legal answer, administratively.
11 I don't know that we can do the variable credit but I'm going ask Chuck or [inaudible].
12

13 Rob Hagedoorn,
14 Yeah, to be very honest I think that would be a very big challenge for us. Basically we
15 are preparing the tax bills already waiting for the tax rates. And that would mean a total
16 change in the program to accommodate changes in the tax credit depending upon the
17 value of the property. And I doubt we'll be able to get bills out any time soon. I suppose
18 to the end of June.

19
20 Jennifer Barrett,
21 So it would have to be an algorithm in the programming.
22

23 Rob Hagedoorn,
24 Yeah, that basically means we'd have to go back to the vendor and ask for
25 programmatic changes, and that could take months.
26

27 Councilmember Elrich,
28 You could enter it simply as saying if the property is worth 100,000 or less, the credit is
29 913; if it's 200,000 or less -- .
30

31 Rob Hagedoorn,
32 No, I mean, the database has well over 300,000 accounts in there, and to do that is not
33 a simple thing.
34

35 Jennifer Barrett,
36 I'm trying to say it's not impossible but -- .
37

38 Councilmember Elrich,
39 I know it's not impossible.
40

41 Jennifer Barrett,
42 Very challenging, and we've never -- I've always thought we couldn't do it so just
43 planning out [inaudible].
44



May 14, 2008

1 President Knapp,
2 Okay. All right. So we have before us -- actually I think we'll split this. We have the rate
3 reduction proposal.

4
5 Councilmember Trachtenberg,
6 Correct.

7
8 President Knapp,
9 Which is coming from the committee, which is -- and that's unanimous, 3-0, 2 cents. So
10 let me get a sense, all in support of the committee's recommendation for the rate
11 reduction, indicate by raising your hand? Okay. Councilmember Leventhal,
12 Councilmember Ervin, Councilmember Berliner, Council Vice President Andrews,
13 Councilmember Floreen, Councilmember Trachtenberg, and myself. All opposed?
14 Councilmember Elrich, sorry. And that -- so that -- so we have the 2-cent rate reduction
15 as proposed by the committee.

16
17 Councilmember Trachtenberg,
18 Uh-huh.

19
20 President Knapp,
21 We then have a proposal to reduce below the Executive's proposal, \$138 million
22 increase, to \$118 million; so a reduction of 20 million. We'll put that out there. Those in
23 support of the committee's recommendation for the 20 million, comment on -- comment
24 on -- .

25
26 Councilmember Leventhal,
27 I just want to understand because I know there's intense interest in the room and in the
28 public about this. The discussion on Friday certainly specifically the \$40 million, which is
29 what I had understood the committee had recommended on Friday.

30
31 Councilmember Trachtenberg,
32 No, no, no. The 40 million that was discussed was the -- around employee savings. We
33 never isolated an actual reduction of the tax increase.

34
35 Councilmember Leventhal,
36 Okay.

37
38 Councilmember Trachtenberg,
39 It was at the -- .

40
41 Councilmember Leventhal,
42 So on that item, the 40 million, that's coming before us later this afternoon.



May 14, 2008

1 President Knapp,
2 We haven't gotten there.
3
4 Councilmember Leventhal,
5 I just want to clarify what we're voting on now.
6
7 President Knapp,
8 We're voting right now on a reduction from the County Executive.
9
10 Councilmember Leventhal,
11 We're voting on the total amount of property tax revenue that we seek to raise.
12
13 Councilmember Trachtenberg,
14 Correct.
15
16 Councilmember Floreen,
17 That's correct.
18
19 Councilmember Trachtenberg,
20 Whether we're going to reduce it by 20 million.
21
22 Councilmember Leventhal,
23 I do understand. I want to clarify for every one what this vote is on. This is a vote on the
24 total revenue target to come from property tax.
25
26 President Knapp,
27 Correct. Further questions? I see no other questions. All in support of the committee's
28 recommendation of the \$118 million generated for property tax or a \$20 million
29 reduction in the property tax collected from what the County Executive has proposed,
30 indicate by raising your hand. Councilmember Berliner, Council Vice President
31 Andrews, Councilmember Trachtenberg, and myself. Those opposed? Councilmember
32 Leventhal, Councilmember Ervin, Councilmember Floreen, and Councilmember Elrich.
33 So the committee's recommendation stands at this point, which was not departing from
34 the County Executive's proposal. So that concludes what we have for -- .
35
36 Councilmember Floreen,
37 That's the 20.
38
39 Councilmember Trachtenberg,
40 Yes, that's the 20. The 20 million was the committee recommendation.
41
42 President Knapp,
43 Oh, right, right. So the committee -- I'm sorry. I apologize. So the committee
44 recommendation stands, because there was nothing -- .



May 14, 2008

Councilmember Leventhal,

I need some parliamentary advice here. If a motion is made and it's a tie, then the motion fails.

President Knapp,

No, but it was the committee recommendation.

Councilmember Leventhal,

I need some parliamentary advice here.

President Knapp,

Sure. That's fine. Mr. Faden?

Michael Faden,

No, I think you need a majority of those voting to take any action.

President Knapp,

[Inaudible] resolution.

Michael Faden,

Right.

Councilmember Leventhal,

The committee's recommendation fails to pass on a tie; it does not carry on a tie.

President Knapp,

So we're not -- so then be clear, because we have a number of resolutions that we're going to vote on. So unlike in many other actions we've taken over the last weeks where the committee recommendation if it doesn't -- as long as it's not negated continues carry forward, then -- .

Councilmember Leventhal,

No.

President Knapp,

We actually have -- no.

Councilmember Leventhal,

No, if a motion is before the body, it needs a majority to carry. It does not carry on a tie.

Councilmember Trachtenberg,

No, we need five.



May 14, 2008

1 President Knapp,
2 Let me ask Mr. Faden for clarification.

3
4 Councilmember Leventhal,
5 May I ask -- Mr. President, may I? May I state the question?

6
7 President Knapp,
8 State the questions.

9
10 Councilmember Leventhal,
11 Okay, the question is, the committee's recommendation is before the body in the form of
12 a motion; the motion has not passed. Motions fail on a tie. They do not carry on a tie; is
13 that correct?

14
15 Michael Faden,
16 That is correct.

17
18 Councilmember Leventhal,
19 Thank you.

20
21 President Knapp,
22 And as I had -- .

23
24 Councilmember Trachtenberg,
25 So the part that has passed -- .

26
27 President Knapp,
28 As I had stated correctly, the first time, we have a 2-cent rate reduction, and the County
29 Executive's property tax proposal of \$138 million is still the recommendation of the
30 Council, as it continues into special deliberations. Very good. Now we turn to Agenda
31 Item number -- .

32
33 Councilmember Trachtenberg,
34 I'll take us to the second item.

35
36 Councilmember Floreen,
37 May I say something?

38
39 Councilmember Trachtenberg,
40 Yes.

41
42 Councilmember Floreen,
43 Well I would say that the reason I did not support the motion at 20 is because I think we
44 should go further, not because we should go less; so for the purposes of the record.



May 14, 2008

1
2 President Knapp,
3 The record appreciates it.

4
5 Councilmember Trachtenberg,
6 We're going to move on.

7
8 President Knapp,
9 We have Item #6, Resolution to change Fuel/Energy tax rates; Resolution to modify the
10 Fuel/Energy tax rates; and a Carbon Greenhouse Surtax.

11
12 Councilmember Trachtenberg,
13 Okay.

14
15 President Knapp,
16 MFP Chair Trachtenberg.

17
18 Councilmember Trachtenberg,
19 Okay.

20
21 Councilmember Berliner,
22 Mr. President. If I could ask -- I have a parliamentary inquiry.

23
24 President Knapp,
25 Parliamentary inquiry, Mr. Faden.

26
27 Councilmember Trachtenberg,
28 For Mr. Faden.

29
30 Councilmember Berliner,
31 Parliamentary inquiry. We've just had a very interesting exercise, so I'd like to see
32 clarification as to whether or not when a committee's recommendation is before the
33 Council, does it require a motion for the committee's recommendation to move forward,
34 or does it require a motion to overturn the committee's recommendation?

35
36 Michael Faden,
37 The committee's recommendation is under the rules before the Council, so it does not
38 require a motion to represent it, but it does require a majority of those voting for the
39 whole Council to approve it.

40
41 Councilmember Berliner,
42 To approve the committee's recommendation, so in the absence of a motion.

43
44 Michael Faden,



May 14, 2008

1 Right. Frequently during the budget process you assume approval because there's not
2 change. I don't know if you're doing that on this issue or not.

3
4 Councilmember Berliner,
5 I didn't follow that last -- yeah.

6
7 President Knapp,
8 Say that again.

9
10 Councilmember Berliner,
11 I'm sorry.

12
13 President Knapp,
14 That's not clear.

15
16 Councilmember Berliner,
17 Maybe others have followed that but I didn't quite get it.

18
19 Michael Faden,
20 Frequently during the budget process you bring up an item, if no one moves to change
21 the committee's recommendation, the committee's recommendation for present
22 purposes is assumed to be approved. You can do that but I think it needs to be stated
23 clearly for staff to know what you have done here.

24
25 President Knapp,
26 I think for the purposes of clarification, I think the point that you had just raised that we
27 actually need an affirmative vote on a resolution.

28
29 Michael Faden,
30 Right.

31
32 President Knapp,
33 Is the way that we'll proceed?

34
35 Michael Faden,
36 Yes.

37
38 Councilmember Trachtenberg,
39 Okay.

40
41 President Knapp,
42 Councilmember Leventhal.

43
44 Councilmember Leventhal,



May 14, 2008

1 Yeah, if this is of assistance; what Mr. Faden is basically saying is that -- first of all, I
2 think my friend Mr. Berliner may be trying to reconcile two different points. A committee
3 recommendation comes before the body as a motion -- it is the committee's motion. It
4 does not require the Chairman of the committee or any other member to raise their
5 hand and move it because it is automatically before the body as a motion. It is the
6 committee's recommendation. So when we say it does not require a motion that means
7 it does not require a member of the body to say I move the committee's
8 recommendation, because the committee, in effect, has already moved it. It is before
9 the body for a decision. Now decisions may be made under, you know, Robert's rules,
10 without objection. If everyone agrees then there's no need for a vote. So sometimes you
11 say if there is no objection or without objection. Sometimes we just assume because no
12 objection is heard. So the committee's recommendation carries unanimously, in effect,
13 by unanimous consent, as they used to say in the Senate, where you and I both
14 worked. Okay. It doesn't require a vote. Nobody objects. In this case objection was
15 heard. So in this case it goes to a contested vote. A member of the body objected; I did
16 and others did. Mr. Elrich did, Ms. Floreen did. So there was a vote. Okay. In that case it
17 is a vote on a motion. The committee's recommendation is, in effect, a motion. It doesn't
18 require someone to say I move it, but it is the committee's recommendation. Under
19 those circumstances where it is contested, objection is heard; the committee's
20 recommendation fails to carry on a tie. It requires a majority of the body to pass it.

21
22 President Knapp,

23 And to increase to the complexity for today, there are a number of actions that we may
24 take today that will achieve a majority, and still because it requires seven votes to pass
25 a budget tomorrow, may still be modified between today and tomorrow. So just to make
26 it completely confusing for most people trying to following along.

27
28 Councilmember Berliner,
29 Well, Mr. President -- .

30
31 President Knapp,
32 Hold on.

33
34 Councilmember Berliner,
35 If I could retain my rights to the floor for the purpose of parliamentary inquiry then. My
36 question is why is the default position with respect to this on a failed vote that the
37 committee's recommendation failed, what I am curious is to what -- there is no
38 recommendation.

39
40 President Knapp,
41 Correct.

42
43 Councilmember Berliner,



May 14, 2008

1 Why is the recommendation -- as I heard the Council President articulate, with the
2 default mode with respect to this was the County Executive's budget. I believe there is --
3 .

4
5 President Knapp,
6 You're right. That was inaccurate. I was going to clarify that. There is no -- .

7
8 Councilmember Berliner,
9 There is no -- .

10
11 President Knapp,
12 There is no recommendation as it relates to the aggregate amount of property tax.

13
14 Councilmember Berliner,
15 Thank you.

16
17 President Knapp,
18 We have agreed on the 2-cent property rate reduction.

19
20 Councilmember Berliner,
21 Right. Okay.

22
23 President Knapp,
24 And the overall total amount derived from property tax -- .

25
26 Councilmember Berliner,
27 Is unknown.

28
29 President Knapp,
30 Is a debatable point to be reconciled by the Council tomorrow as it proceeds to
31 reconciliation.

32
33 Councilmember Trachtenberg,
34 Right.

35
36 Councilmember Berliner,
37 Thank you.

38
39 Councilmember Trachtenberg,
40 And we have to get to seven votes to do that.

41
42 President Knapp,
43 Right. Councilmember Elrich.



May 14, 2008

1 Councilmember Elrich,

2 I would just like staff to not clarify now, but I would like to know what else this applies to.
3 Because there have been other votes in the Council where committee decisions were
4 contested and the committee position prevailed on a 4-4 vote. There was a PHED
5 Committee vote we took that was just -- .

6
7 Michael Faden,

8 Every time we've been asked, and it's been several times in the last few weeks, about
9 that, we have told everyone that it takes a majority of those voting for the full Council to
10 do anything.

11
12 President Knapp,

13 And, again, this is a unique phenomenon right now because we only have eight
14 Councilmembers. Generally you don't get too many ties. So that's also another -- . I'll
15 get to that one.

16
17 Councilmember Trachtenberg,

18 And this is a requirement.

19
20 President Knapp,

21 Which to note, there was a special election yesterday and we actually do have a
22 colleague that is unofficially -- a new colleague that's unofficially elected at this point,
23 Mr. Praisner -- Mr. Donald Praisner, who will, assuming the certification of the election,
24 will be sworn in sometime in the next -- no sooner than 10 days from now. And then
25 when we come -- when the Council comes back into session in June, will join us. So I
26 want to turn to Council Chair Trachtenberg for item number 6.

27
28 Councilmember Trachtenberg,

29 Okay, thank you.

30
31 President Knapp,

32 Have we clarified everyone's parliamentary questions?

33
34 Councilmember Trachtenberg,

35 Yeah. And it's good to have Mr. Faden here to respond to all these questions. The next
36 item is the resolution to change the fuel and energy tax rate, also the resolution to
37 modify the fuel energy tax rates to add a carbon greenhouse gas surtax. The
38 recommendation from the MFP Committee combined with the TIE&E Committee,
39 Transportation, Infrastructure, Energy and Environment, joint work session discussion
40 occurred last Friday morning, May 9th. The judgment of the committee unanimously
41 was to adopt the carbon surtax resolution. Again that was proposed by Councilmember
42 Floreen; and to place specific items on the Operation Budget reconciliation list, again to
43 be funded by the increased energy tax revenue. I'm going to turn to my colleague,
44 Councilmember Berliner, who actually brought both committees through conversation.



May 14, 2008

1 Roger, I would ask that you perhaps provide a little bit of detail of the conversation that
2 led up to this recommendation from the joint committees.

3
4 Councilmember Berliner,

5 Thank you, Committee Chair Trachtenberg. Let me -- I will do so briefly. There were two
6 resolutions that were brought to our respective committees. Each which would raise
7 \$11.1 million. One which would simply be an increase in our fuel tax, and one which
8 was design to do move us towards a carbon surcharge as opposed to simply a fuel tax
9 increase. In discussing this item, one of its principle benefits in terms of revenue
10 enhancements is that this \$11.1 is actually secured from the Federal Government,
11 among others, which our property tax increases do not do. So whereas our property tax
12 increases fall most heavily on our residential homeowners, it is the opposite with
13 respect to this tax. So it is as effective a way for the County to raise revenue from
14 sources that it is otherwise unable to reach as any within our arsenal. And this seemed
15 to be a year in which raising revenues was appropriate. So as a matter of policy when
16 one looked at this compared to other options before us, this seemed to be a good one.
17 With respect to how it should be structured, it was originally again proposed in one of
18 two forms, either that is a form of a simply adding onto the existing energy tax or
19 modifying that energy tax for this increment in a way that would recognize the different
20 contributions that different fuels make to our carbon situation. We discussed a pure
21 carbon surcharge. And we discussed Councilmember Floreen's carbon surcharge,
22 which was less pure but still moved in that direction by giving a different weight to
23 electricity than natural gas. We ultimately concluded that it would be better to move in
24 the direction of a carbon surcharge versus a fuel tax. And to do so in a transition form
25 through Councilmember Floreen's proposal. And recognizing again that in doing so we
26 are talking about an increment of \$10 a year is what the projections are for our
27 residential homeowners. So \$10 a year in a modified carbon surcharge yields \$11
28 million. To offset the impact of that \$10, we added to our reconciliation list, at the urging
29 of Councilmember Ervin, an offset so that we can ensure that our low-income people
30 are protected even from that modest increase. We also decided as a matter of public
31 policy that the principle -- a principle reason for moving to a carbon surcharge is to
32 reduce our carbon footprint. And therefore the items that this Council adopted in its
33 global warming and climate change package needed to be funded out of this surcharge.
34 And those items have also been placed on the reconciliation list. So we have placed on
35 the reconciliation list the half million dollars in property tax credits for solar, geothermal
36 and energy conservation devices. We have placed on the reconciliation list the
37 assistance to low-income. And we have placed on the reconciliation list the cost of the
38 climate change legislation that the administration suggested it would impose upon it of
39 \$1.5 million. And we had previously, in another forum, placed on the reconciliation list,
40 in increments of \$100,000, the Clean Energy Rewards Program that Councilmember
41 Leventhal had championed in increments of \$100,000 each.

42
43 Michael Faden,



May 14, 2008

1 Mr. Berliner, if I can give you a quick update on the climate change implementation
2 NDA, we've recalculated it and discussed this briefly with OMB and DEP, and we think
3 the number is -- that you should put in the NDA is 1 million rather than a million and a
4 half.

5
6 Councilmember Berliner,
7 I appreciate that because there were questions with respect to -- particularly since the
8 Council had decided to postpone implementation of Energy Star, which was a major
9 driver of budget, I assumed, that there would be savings; and appreciate that update.
10 So unless there is objection with respect to that modification, that would be the joint
11 committee's recommendation, but -- Councilmember Leventhal.

12
13 Councilmember Leventhal,
14 I had not had the opportunity to be apprised of these staff discussions the Climate
15 Change NDA, but I would suggest that the Clean Energy Rewards Program ought to be
16 included in it. It was the result of prior action by the County Council, and it's very
17 consistent with the intent of the bills that we passed on April 22nd, and we should pay
18 for all of these. It is very much related to climate change, so I am not sure why we would
19 not treat it as part of the offset for the receipts that we're going to get for the energy tax.

20
21 Michael Faden,
22 You can do that in the ultimate accounting. I believe it was HHS Committee already put
23 that on the reconciliation list.

24
25 Councilmember Leventhal,
26 That was the T&E Committee.

27
28 Michael Faden,
29 Oh, T&E -- in several increments. So that was already there.

30
31 Councilmember Leventhal,
32 I don't see a difference as a policy matter between giving people a benefit for buying
33 wind power vis-à-vis giving them a property tax credit for energy efficiency. It's all the
34 same thing.

35
36 President Knapp,
37 No, I think that -- I think the question is from an accounting perspective. I think Mr.
38 Faden is indicating that that was at least already included on the reconciliation list. Your
39 question is once we actually take action do we just roll all those funds into an NDA on
40 global climate change.

41
42 Councilmember Leventhal,
43 That would be my preference. It makes since to treat them all the same.



May 14, 2008

1 President Knapp,
2 Right. Okay. So that's -- I think that makes sense. And I think -- .

3
4 Councilmember Berliner,
5 Once we decide on the [inaudible] -- .

6
7 President Knapp,
8 Figure out what the total number between those two proposals is. If the Council
9 addresses in the reconciliation list, then we can roll that into the global climate change
10 NDA as the final number.

11
12 Councilmember Leventhal,
13 I like the idea of putting them altogether in a single NDA.

14
15 President Knapp,
16 Okay. I don't see any objection to that. Councilmember Floreen has a question.

17
18 Councilmember Floreen,
19 Have you completed, Mr. Berliner?

20
21 Councilmember Berliner,
22 I believe I am done, Madam Chair.

23
24 Councilmember Floreen,
25 The only thing I would add is I am sure you didn't mean that this was a less pure
26 approach. What it was -- my -- we had a recommendation from the Sierra Club to use a
27 more precise approach, which I think is the word you were searching for.

28
29 Councilmember Berliner,
30 I was searching for precise; you're absolutely right. Certainly not pure. You're right. I
31 apologize.

32
33 Councilmember Floreen,
34 A more precise measurement of the relative carbon generation rates of the different
35 energy sources, and the reason we didn't go with that, and Ms. Ervin was very clear on
36 that. And I think we all agreed is the point that it would be very disadvantage to
37 residents who rely heavily upon energy as their sole -- electricity as their sole energy
38 source.

39
40 Councilmember Berliner,
41 So with that, Mr. Council President, I believe the joint committee's recommendation is
42 before us, and would urge us to adopt it.

43
44 President Knapp,



May 14, 2008

1 It is. So we have the joint committee recommendation. Six of us have already approved
2 it. On the resolution to amend the fuel/energy tax rates and a resolution to establish
3 carbon surcharge on the energy fuel, energy tax rate to reflect greenhouse gas
4 generation. All those -- any further discussion on the committee's recommendation?
5 Seeing none, all in support indicate by raising your hand. That is unanimous. I like that.

6
7 Councilmember Trachtenberg,
8 Okay. Let's move on -- .

9
10 President Knapp,
11 We now turn to Legislative Session Day #15. We have no Legislative Journal to
12 approve, no bills to introduce. We have the Call of Bills for Final Reading, which is
13 Expedited Bill 12-08, Personnel Retirement, Retirement Incentive Program, MFP
14 Committee Chair Trachtenberg.

15
16 Councilmember Trachtenberg,
17 Okay, thank you, President Knapp. And I think at this point I'll go quickly through item
18 13 as well. Which is an indication of Council's intention regarding the actions necessary
19 to implement the memorandum of agreement concerning a retirement incentive
20 program with the Municipal and County Government Employees Organization -- .

21
22 President Knapp,
23 Hold on.

24
25 Councilmember Trachtenberg,
26 Local 1994.

27
28 President Knapp,
29 Okay, so you're -- .

30
31 Councilmember Trachtenberg,
32 Because we actually -- the way the packet was present through staff, Items 7 and 13
33 were actually -- so we could do the expedited bill first. Why don't we do that?

34
35 President Knapp,
36 Let's do that.

37
38 Councilmember Trachtenberg,
39 Okay, the MFP recommendation, again, which was a unanimous recommendation, was
40 to send the bill to this full body. And we asked that amendments be provided in four
41 distinct areas to exclude employees who retire with disability retirement pension or a
42 discontinued service retirement pension; extend the date to notify the Office of Human
43 Resources of an expression of interest to May 21st; permit the Council staff director to
44 limit participation in Legislative Branch only if more than 20% of the eligible employees



May 14, 2008

1 apply based upon length of service; and also to make a technical change which is to
2 correct the citation of Code 33-44. Again, the technical amendment refers to the cost of
3 living adjustments for pensions in Subsection C on line 41 of the Bill, and that is
4 described on page 4 of the packet. So those, in effect, were the four amendments that
5 are provided with the recommendation to approve the expedited bill.

6
7 Council President Knapp

8 Is there a discussion on the committee recommendation? I had just one question as it
9 relate to say the amendment to extend the date to notify OHR of an express of interest.
10 Is that because we're not getting any interest, or -- .

11
12 Joe Adler,

13 No, that was a recommendation based on committee attorney that the Council has
14 taken -- the original deadline was May 1st.

15
16 President Knapp,
17 Okay.

18
19 Joe Adler,
20 And we have 350 expressions of interest.

21
22 Councilmember Trachtenberg,
23 They have more than they anticipated.

24
25 President Knapp,
26 And what did we anticipate when this was put in as budget proposal?

27
28 Unidentified,
29 About 100, 150.

30
31 Councilmember Trachtenberg,
32 That's what the committee was told.

33
34 President Knapp,
35 Okay. Okay. Thank you. No further discussion on the committee's recommendation. All
36 in support of the committee's recommendation please indicate by raise raising your
37 hand. That is unanimous. Thank you very much.

38
39 Councilmember Trachtenberg,
40 Okay. And that takes us back to Item 13, which I referred to which is the intention --
41 indication of Council's intention regarding the actions necessary to implement the
42 memorandum of agreement with MCGEO. And, again, the recommendation was
43 unanimous from the committee.



May 14, 2008

1 President Knapp,
2 Madam Chair, where in the packet -- ?

3
4 Councilmember Trachtenberg,
5 It's in packet that's marked items 7 and 13.

6
7 Michael Faden,
8 It's a limited purpose agreement with the union on this point, on the retirement incentive
9 program.

10
11 President Knapp,
12 Oh, exclusively as it relates to this?

13
14 Michael Faden,
15 Yes.

16
17 President Knapp,
18 I got it, okay.

19
20 Councilmember Trachtenberg,
21 So it's on page 5 basically, right after 4.

22
23 President Knapp,
24 Okay. So is that clear to everyone? We actually need to -- Madam Clerk, if you would
25 call the roll for the passage of Expedited Bill 12-08.

26
27 Council Clerk,
28 Mr. Elrich.

29
30 Councilmember Elrich,
31 Yes.

32
33 Council Clerk,
34 Ms. Floreen.

35
36 Councilmember Floreen,
37 Yes.

38
39 Council Clerk,
40 Ms. Trachtenberg.

41
42 Councilmember Trachtenberg,
43 Yes.



May 14, 2008

1 Council Clerk,
2 Mr. Leventhal.

3
4 Councilmember Leventhal,
5 Yes.

6
7 Council Clerk,
8 Ms. Ervin.

9
10 Councilmember Ervin,
11 Yes.

12
13 Council Clerk,
14 Mr. Berliner.

15
16 Councilmember Berliner,
17 Yes.

18
19 Council Clerk,
20 Mr. Andrews.

21
22 Vice President Andrews,
23 Yes.

24
25 Council Clerk,
26 Mr. Knapp.

27
28 President Knapp,
29 Yes. Bill 12-08 passes unanimously. Now we turn to item number 13.

30
31 Councilmember Trachtenberg,
32 Okay.

33
34 President Knapp,
35 Any further discussion from the MFP Committee Chair. No. Any further discussion on
36 the part of Council? Councilmember Berliner.

37
38 Councilmember Berliner,
39 No.

40
41 President Knapp,
42 Okay. Then all in support of Item 13, Indication of Council's intention regarding the
43 actions necessary to implement the Memorandum of Agreement concerning a
44 retirement incentive program with Municipal and County Government Employees



May 14, 2008

1 Organization Local 1994, indicate by raising your hand. That is unanimous. Thank you
2 very much.

3
4 Councilmember Trachtenberg,
5 Okay.

6
7 President Knapp,
8 We now turn to -- back to work session and action on the following Compensation and
9 Benefits for all agencies.

10
11 Councilmember Trachtenberg,
12 Okay. No doubt this is going to be the meaty conversation this afternoon. What I was
13 going to suggest is we'll go item by item and entertain questions from colleagues as we
14 do that rather than wait until the end. I think that would probably work more efficiently
15 than waiting.

16
17 President Knapp,
18 Okay.

19
20 Councilmember Trachtenberg,
21 Since there is quite a few items here that we want to go over. Again, as I suggested, a
22 rather comprehensive conversation occurred through the committee, and I am going to
23 do my best to clarify as we go through each step what the actual recommendations
24 were, since they're split and not completely unanimous. The first item that was taken up
25 was the pre-funding of the retiree health benefits for all agencies. And there is a
26 unanimous committee recommendation to approve an eight-year phase-in to pre-fund
27 the benefits, and also approve a \$40.6 million contribution in FY09 for the tax-support
28 agencies combined. And again this is recommended by the Council's actuarial adviser,
29 Thomas Loman. And one of the things that had come up in conversation within the
30 committee is that we would actually like to address this issue, the OPEB issue, for the
31 longer term. And we're hopeful that we can have some conversations again after budget
32 cycle sometime in the autumn. And I wondered if Mr. Farber or anyone else wanted to
33 talk a little bit about the OPEB obligation, and also what in fact we agreed to with the
34 eight-year phase-in. Again last year obviously the committee recommendation had been
35 to go with five-year and in the Executive's proposed budget he had gone to eight. And
36 this was simply a procedural step that was taken, again, stretching out the payment
37 over eight years, again with the guidance of Mr. Loman, who has worked with the
38 Council for a number of years, and in a very efficient manner. Mr. Farber.

39
40 Steve Farber,
41 Yes, well, just very briefly, Madam Chair, as you indicate, the Council agreed with the
42 County Executive on an eight-year phase-in as opposed to the five-year phase-in of last
43 year of this pre-funding -- of this very important and large obligation to make good on
44 promises to our current employees and retired employees that their retiree health



May 14, 2008

1 benefits, in fact, are going to be there. This is a very large issue, a very costly issue,
2 and as you indicated after budget, the committee wants to return to understand more
3 clearly in conversations with Mr. Loman and others how best to address this issue for
4 the long-term. The decision you're making today counts for '09 and for the next seven
5 years after that. But there are very difficult issues here that jurisdictions across the
6 country are trying to address because this is a very large obligation, and that's what
7 we'll be doing after budget.

8
9 Councilmember Trachtenberg,
10 Okay. Thank you very much, Mr. Farber. Seeing no other -- .

11
12 President Knapp,
13 I see no other lights, so taking action on the OPEB requirement -- I see no further
14 discussion. All in support of the committee recommendation approving the eight-year
15 phase-in, and the associated dollar amount, indicate by raising your hand. That is
16 unanimous among those present.

17
18 Councilmember Trachtenberg,
19 Okay. Second item that we discussed was the cost for prescription drug benefits for
20 County government retirees. Again, this is something that I know that colleagues have
21 heard a great deal about in the last month or so. We've received a lot of mail about this.
22 And we have actually a unanimous recommendation from the committee to support the
23 three-year phase-in of these costs for retirees, and to place the added County cost in
24 FY09 for this, again, in the amount of \$314,000 on the reconciliation list. And I would
25 note that indeed that amount has been placed on the list. Some other committee
26 recommendations for FY09 relate to group insurance, again, improve the recommended
27 expenditures of the employee health benefits self-insurance fund, again, to the tune of
28 \$162 million as outlined, again, on circle 64 of packet which was provided to the full
29 Council on April 21. Again, remembering that these have been adjusted for the three-
30 year phase-in, support the FY09 agency group insurance pay-as-you-go funding
31 request for both active employees and retirees. Again, outlined on page 13 of the April
32 21st packet. And after budget, to consider options for a high deductible and consumer-
33 driven plans as recommended in the Council's resolution on policy guidance for agency
34 group insurance programs. And I would note for colleagues that that policy was
35 established back in December of 2003.

36
37 President Knapp,
38 Okay. Discussion on the committee's recommendations as it relates to group insurance
39 and changes for retirees. I had just one question, and I don't know who the right person
40 to ask is. When this proposed modification was put into the budget, how was it
41 communicated to our retirees as it related to the modification of the prescription drug
42 plan?

43
44 Wes Girling,



May 14, 2008

1 Wes Girling, with OHR. I met with the Retirees Board of Directors about a week and a
2 half ago. It was not communicated with them previous to that. I've recently joined the
3 government. I started working with the government about six, eight weeks ago. And one
4 of the things I was concerned about is that we had not reached out to the retirees and
5 told them about that. It had not appeared in any written communication to them. It
6 showed up in the budget, and they heard about it there the first time.

7
8 President Knapp,

9 Okay. That's what I heard as well, and I think that's -- that to me is very troubling,
10 especially given the fact that we have got a retirement community that has been former
11 County employees that we should be reaching out to if we're going to make -- have a
12 proposed modification of that magnitude. And I appreciate very much Mr. Farber's
13 efforts to try to put this proposal together, which phases this in over a period of years.
14 But I wish this were the only thing in this government, or in this budget that were
15 communicated that way to folks. But that's very troubling to me that if we're going to put
16 a change like that on the table, we have to put that out there for folks to see it. Because
17 had you not had that conversation a week and a half ago, I'm not sure that they would
18 even know -- the people would even know we're voting on it today. And that's very
19 troubling for them to wake up one day and go, gee, I thought we had this and now we
20 don't and it's changed. So I would strongly urge County government if we make such
21 changes in the future to actually be proactive and let people know when we put that
22 proposal forward in a budget, because I just -- that's just not right.

23
24 Councilmember Trachtenberg,

25 Yeah. And I think the amount was sizable as well. I don't -- refresh your memory, Steve.
26 I think it was something like \$600, \$800 that was going to be the increase; is that what
27 we were talking about? Was it that high?

28
29 Steve Farber,

30 Well it could be for some people at the maximum. It really depends on whether you're
31 an 80/20 or 70/30 person, whether you're Medicare or non Medicare. For some it was a
32 lot smaller. But it could be up to a substantial level, and that's why the committee
33 proposed a phase-in.

34
35 Councilmember Trachtenberg,

36 Yeah.

37
38 President Knapp,

39 All right. Any further discussion on those points?

40
41 Wes Girling,

42 I would just like to make one more point.

43
44 President Knapp,



May 14, 2008

1 Sure.

2
3 Wes Girling,

4 One of the things that I have observed since I have been here is that there are
5 opportunities for retirees to reduce their costs by looking at the plan that we're going to
6 be setting the pricing against. Only 24 of our retirees are in a standard option plan, yet a
7 lot of them would benefit financially to being in that plan. So while that there are
8 opportunities or there are instances where retirees who would pay more, it's if they
9 stayed in a particular plan. One of the things that I told the Board of Directors of the
10 Retiree's Association is that I was committed to giving them some tools to be able to
11 make a valued judgment as to which plan was in their best interests, and to try and give
12 them more information to be able to select the program.

13
14 President Knapp,

15 I think that's a great idea. And I would urge us to try to get that into the hands of all --
16 not just the board but also to all of our retirees.

17
18 Wes Girling,

19 It will be for all retirees but my meeting so far was just with the Board of Directors.

20
21 President Knapp,

22 Mr. Adler.

23
24 Joe Adler,

25 And not to prolong the conversation, but your comments on communication are right on
26 point, and we do apologize for that.

27
28 President Knapp,

29 Thank you. Okay. We have before us the committee's recommendation. And I see no
30 further comment. All in support of committee's recommendation indicate by raising your
31 hand. Ms. Floreen, that is unanimous. Thank you. Councilmember Trachtenberg.

32
33 Councilmember Trachtenberg,

34 Okay.

35
36 Councilmember Berliner,

37 Mr. President, if I could.

38
39 President Knapp,

40 Councilmember Berliner.

41
42 Councilmember Berliner,

43 Point of personal privilege. I was out of the room when we voted on item number one,
44 and I would like to be voted in the affirmative, if I could.



May 14, 2008

1
2 Councilmember Trachtenberg,
3 Okay.

4
5 President Knapp,
6 Duly noted without objection.

7
8 Councilmember Trachtenberg,
9 Okay. We'll go on to the next items, which are the County Government compensation-
10 related non-departmental accounts, again, a unanimous recommendation from the
11 committee to approve the first three NDA's, which reflect annual county obligations;
12 approve the Group Insurance for Retirees NDA with the addition of the 314,000 due to
13 the phase-in of the prescription drug cost changes; approve the Compensation and
14 Employee Benefits Adjustment NDA, again, noting for colleagues that component parts
15 are listed on circle 57 of the packet that we followed on April 21st within committee. And
16 the fourth part of the recommendation is to approve the Retiree Health Benefits Trust
17 NDA, with the subtraction of an estimated 3.2 million due to the recommendation of Mr.
18 Loman.

19
20 President Knapp,
21 Any discussion? Seeing none, the motion before us is on the FY09 County Government
22 compensation--related NDA's. All in support of the committee's recommendation
23 indicate by raising your hand. That is unanimous. Thank you very much.

24
25 Councilmember Trachtenberg,
26 Okay, moving on, there were other compensation issues again that were discussed
27 during committee. They included the personnel management reviews and similar
28 reports that are used by agencies. We committed to meeting after the budget to discuss
29 ways in which the agency reports could be more user-friendly and informative through
30 the inclusion of trend data, summary tables and other approaches. And we reviewed the
31 funding requests for the agency's employee awards and tuition assistance programs.
32 Next item was to -- well, actually before we move onto the retirement program, we do
33 need to support as a body the compensation issues. Okay. Retirement program.

34
35 President Knapp,
36 Is there a recommendation here?

37
38 Councilmember Trachtenberg,
39 Well -- .

40
41 President Knapp,
42 I mean, if there's not a recommendation -- .

43
44 Councilmember Trachtenberg,



May 14, 2008

1 Well, for the most part -- .

2
3 President Knapp,
4 Oh, I see.

5
6 Councilmember Trachtenberg,
7 To fund the Tuition Assistance programs and Employee Rewards.

8
9 President Knapp,
10 Okay, so we have before us as a committee recommendation to approve the agency
11 request for Employee Rewards and Tuition Assistance programs; is there a discussion?
12 Seeing none, all support by indicate by raising your hand. That is unanimous.

13
14 Councilmember Trachtenberg,
15 Okay. And the next item is the Retirement program. Again, what the committee
16 approved was the FY09 administrative budgets of the Employees Retirement System,
17 the Retirement Savings Plan and the Deferred Compensation Plan. Again, that was a
18 unanimous recommendation. With regard to the additional costs in FY09 of the
19 Retirement Improvements included in the pending contract re-openers with both FOP
20 and MCGEO. Both myself and Councilmember Ervin recommend approval while, Mr.
21 Andrews recommended disapproval because of the fiscal year that we're in. Myself and
22 Councilmember Ervin also recommended approval of the proposed FY09 County
23 Contributions for the Retirement System and Savings Plan, again, which are projected
24 at 110 million for the ERS and 19.5 million for the RSP; and Mr. Andrews, our Vice
25 President, recommended approval of these amounts minus the additional FY09 costs
26 resulting from the Retirement Improvements in the contract re-openers. So that again is
27 the recommendation of the committee. So we have before us the FY09 Retirement
28 Program with the committee's recommendations. Is there a discussion? Seeing none,
29 all in support of the committee's recommendation indicate by raising your hand.
30 Councilmember Leventhal, Councilmember Ervin, Councilmember Berliner,
31 Councilmember Elrich, Councilmember Floreen, Councilmember Trachtenberg, and
32 myself. Opposed, Councilmember Andrews. The committee recommendation carries.
33 And the last item for today was the pay changes.

34
35 President Knapp,
36 Last item in this packet.

37
38 Councilmember Trachtenberg,
39 Right, exactly. Not over yet. And we're at 4:00. The committee recommended 3-0 the
40 approval of the five FY'09 budget adjustments transmitted by the Executive, which result
41 from the Wage Equity provision in the collective bargaining agreement with MCGEO.
42 That was approved by the Council on November 28, 2006. The adjustments which are
43 related -- they relate to pending FY08 Supplemental Appropriation 8-232 and they are
44 the Correction and Rehabilitation for 6,000, Department of Transportation Transit



May 14, 2008

1 Services \$119,310; Health and Human Services full amount of \$315,430; police amount
2 is 31,660; and again the Department of Transportation is 25,090. And that was the first
3 part of the recommendation. The second part of the recommendation was a reduction of
4 \$40 million in FY09. Again, employee pay increases with the specific approach to be
5 determined by the full Council. Councilmember Ervin opposed this recommendation,
6 and myself and the Vice President supported it. And with regard to the FY09 through '11
7 fire fighter contract, both myself and Councilmember Ervin recommended approval of
8 the pay increase provisions. Mr. Andrews supports the increases for FY09 through '10,
9 but opposed the increase for FY11. And, again, that is in totality the recommendation
10 from the committee on pay changes.

11
12 President Knapp,
13 Okay.

14
15 Councilmember Trachtenberg,
16 So I have broken them out into three.

17
18 President Knapp,
19 Yeah, I think we'll take those as three actions given I think the issue there. So we have
20 before us first the adjustments which related to pending FY08 Supplemental
21 Appropriation 08-232, which was a 3-0 recommendation on the part of the committee.
22 Any discussion on that point? Okay.

23
24 Councilmember Trachtenberg,
25 Huh-uh, no.

26
27 President Knapp,
28 All in support of the initial committee recommendation on the Supplemental
29 Appropriation please indicate by raising your hand. That is unanimous.

30
31 Steve Farber,
32 Mr. Knapp, just a clarification. What you're acting on now are the '09 budget
33 adjustments related to that.

34
35 President Knapp,
36 Right.

37
38 Steve Farber,
39 You'll be voting next month on the supplemental.

40
41 President Knapp,
42 Okay.

43
44 Steve Farber,



May 14, 2008

1 I think it's a given that you will support it, but it is not before you right now.

2
3 President Knapp,

4 Very good. Thank you for the clarification. We now turn to the committee
5 recommendation of reduction of 40 million in FY09 employee pay increases. Comments
6 or discussion on that committee recommendation? Councilmember Leventhal?

7
8 Councilmember Leventhal,

9 Thank you, Mr. President. I have a question for the committee Chair. And then if it is in
10 order, Mr. President, I would like to speak with the President of the Board of Education,
11 who is present here in the audience.

12
13 President Knapp,

14 Very good.

15
16 Councilmember Leventhal,

17 So my question first to the committee Chair is the committee majority's recommendation
18 of a reduction in \$40 million in FY09 employee pay increases with the specific approach
19 to be determined by the Council; was it the committee's intent that entire 40 million
20 reduction would come from Montgomery County government employees, or was it the
21 committee's intent the \$40 million reduction in compensation would be shared by the
22 school system and county government and other independent agencies.

23
24 Councilmember Trachtenberg,

25 I believe that the recommendation from myself and the Council Vice President was
26 those employee savings would be realized across the board through county
27 government, but clearly we were looking for participation from the school system as
28 well.

29
30 Councilmember Leventhal,

31 The intention then was that school system employees would also take a reduction in
32 pay?

33
34 Councilmember Trachtenberg,

35 Yes.

36
37 Councilmember Leventhal,

38 Okay. So my question for the President of the Board of Education is this; if the County
39 Council states to the Board of Education we want you to make pay reductions, what will
40 the Board of Education do?

41
42 Nancy Navarro,

43 The Board of Education obviously would take into consideration very respectfully the
44 County Council's decision, but the County Council actually can direct in terms of its



May 14, 2008

1 allocation of funding through State categories what the Board of Education should seek
2 in terms of reduction, but it cannot direct the Board of Education to go into pay raises or
3 COLA's that is the determination of the Board of Education ultimately has to take
4 legally. Obviously the Superintendent would have to come back to us after all of you
5 vote on the amount of money under which category in terms of recommendations, and
6 the Board of Education ultimately has the right to end the legal responsibility to allocate
7 those cuts and to realize a budget.

8
9 Councilmember Leventhal,
10 Does the Board believe that it can legally reopen a settled contract?

11
12 Nancy Navarro,
13 No, it doesn't.

14
15 Councilmember Leventhal,
16 So the likely outcome is that no matter what instructions came to the Board of Education
17 from the County Council, the Board of Education, in fact, would not reduce its employee
18 compensation?

19
20 Nancy Navarro,
21 This would be something obviously that the Board would have to take a vote on. And I
22 will not -- I am not in a position to sit here and tell you, obviously, how the Board will
23 vote in a couple of weeks, et cetera. But I can tell you that this is a Board of Education
24 that has very strongly put forth a recommendation to ratify these contracts, and feels
25 strongly that strategically our investment has to be in the compensation of our
26 employees; ultimately, they are the ones responsible for delivering the quality
27 education. So I can reiterate to you that this is -- [applause]. I can reiterate to you that
28 this is a Board of Education that -- .

29
30 President Knapp,
31 Can you say that again because it was captured by the end of the applause.

32
33 Nancy Navarro,
34 Well, what I said was to Mr. Leventhal that will I can say to you with certainty and
35 reiterate that this Board of Education feels very strongly that our most strategic
36 investment is in the compensation of our employees, especially given when we have
37 seen in the increase of students who are mostly affected by poverty, and also language
38 barriers at a time when we know that we are one of the leaders in terms of our
39 educational system nationally as a system who has been able to realize amazing
40 outcomes. We understand that this is directly tied to the compensation that we give our
41 employees. We have to compensate them in a competitive way. And I can pretty much
42 tell you that I know where my vote is, but I can just reiterate what we have already
43 committed to.



May 14, 2008

1 Councilmember Leventhal,
2 Where would your voted be, Madam President?

3
4 Nancy Navarro,
5 I would be to support our employees' compensation. [applause] [cheering].

6
7 Councilmember Leventhal,
8 I want to really call my colleagues' attention to this critically important point of equity.
9 We have 10,000 employees in Montgomery County government. The Montgomery
10 County Public Schools has 21,000 employees. I understand that the Board President
11 can't speak for seven members of the Board. She can speak only for herself, which she
12 has done. But it is highly likely based on what the Board President has told us, my high
13 expectation here, based on the recent votes taken by the Board, is that no matter what
14 the County Council says in response to the MFP's Committee's recommendation, in
15 fact, MCPS will not cut its employees compensation. It won't happen, in fact. And legally
16 the County Council doesn't have the power to compel those cuts in school system
17 contracts. Now, we've heard from the Executive Branch that there is some imbalance
18 that MCPS contracts tend to be somewhat more favorable, that puts more pressure on
19 the Executive Branch when the Executive Branch is negotiating contracts with MCGEO
20 and the firefighters and the police. That imbalance would be dramatically increased if
21 this Council, which it has the authority to do under law, abrogates contracts, because
22 we don't have the authority under law to abrogate contracts with MCEA or Local 500 or
23 with the principals and administrators. So let me be very, very clear. If this
24 recommendation from the MFP committee to take \$40 million in reductions in employee
25 compensation carries the full Council, the likely outcome is that only 10,000 employees
26 will be affected, and those are the Montgomery County government employees. [
27 applause] [cheering]. I'm not done. I'm not done. I appreciate the views of the
28 audience. But 21,000 school system employees would not be affected no matter what
29 speeches are given by Councilmembers, no matter what the intent of the MFP
30 Committee is. We don't have the legal authority to compel it, and the School Board
31 highly likely will not go along with it. So there is a major equity issue before us; 21,000
32 school system employees likely would get the full negotiated COLA; 10,000 county
33 government employees, less than half, likely because we do have the authority, we the
34 County Council, the full Council, would have their contracts abrogated. That is not
35 equitable, and that is the likely outcome. The school system would likely distribute
36 whatever percentage of the 40 million goes to the school system, whether it is half
37 because it is half of the budget, or whether it is two-thirds because they have twice as
38 many employees. They would allocate the cuts another way. They would not roll back
39 the COLA's. It wouldn't happen, in fact. And that would aggravate the inequity that
40 already exists because there is differentials in retirement benefits, teachers have a
41 defined benefit plan, and county employees don't. And there are already inequities. And
42 that inequity would be greatly aggravated. And the intent of the MFP Committee would
43 not be realized. That's the first point I want to make. Here is another point I want to
44 make. Is Mark Mechlin still here or did he leave?



May 14, 2008

Councilmember Ervin,
He's here.

Councilmember Leventhal,
Okay, I would just really appreciate it if we could acknowledge a very brave young man who about two weeks ago as a condition of his job, he was required to do it, he's was ordered to do it by his captain -- charged into a burning building to save lives. He was trapped along with his colleagues in burning debris. He had to fight his way free. He suffered severe burns over most of his body. He among three firefighters is doing the best, although he is still suffering from severe pain. And understanding that we appreciate the sacrifices of our public safety employees, I would just like us all, and I would like Mr. Mechlin rise and be acknowledge and had let us thank him for his service. [applause] [cheering] [applause] [cheering]. And I would just like us all to think about Firefighter Mechlin in the next few minutes. I would like us to think about the public service that these hard-working people give us every day. I would like us to think about why Montgomery County has a reputation for good government, and a good school system, and why people move to this County, and why they choose to locate here and not in other jurisdictions; that they have high expectations of public service. And public service is all about public employees. I would just like to make that point. [applause] [cheering]. By the way, I am against the committee's recommendation on point two.

President Knapp,
Committee Chair Trachtenberg.

Councilmember Trachtenberg,
Actually, I think that was clear, George. I just want to clarify that the recommendation provided by the committee is not for a reduction in current salary; it is a reduction potentially in the cost of living increases. And I think that needs to be clarified for those that are not in the room this afternoon.

President Knapp,
Folks.

Councilmember Trachtenberg,
I also want to make some brief remarks. I said earlier that I represent you, and I represent the other million folks that reside here in the County.

President Knapp,
Folks. Folks, be courteous.

Councilmember Trachtenberg,



May 14, 2008

1 I think as, I said earlier, this is simply a policy perspective difference. I have a full
2 appreciation of the services that our employees provide on a regular basis. And I am
3 most definitely aware of the quality of the services that are provided here in the County.
4 But I simply believe that we are facing difficult fiscal times, and that the steps we take
5 today have a great deal of impact on what happens tomorrow. And I am of the belief
6 that down the road things are going to get rockier, and in a case like this, you take steps
7 now so that when they do become more difficult, the pain is lessened. You might not
8 agree with that today. But I feel obligated to say that to all of you this afternoon.

9
10 President Knapp,
11 Folks. Folks. Council Vice President Andrews.

12
13 Vice President Andrews,
14 Thank you, Council President Knapp. On the issue of what would happen with MCPS,
15 the answers we don't know. Five years ago there was a different outcome when the
16 Council faced a similar budget gap. And there was a deferral of COLA's for four and a
17 half months for all County employees and for MCPS employees also. So it was only five
18 years ago that there was a different outcome than what has been described as what
19 might happen this year. So we really don't know what would happen. It is important for
20 the County Council to be concerned about all employees in the County, including those
21 that don't work for County government. We need to be concerned about the impact on
22 all of our residents as well as our valued County employees. I want to praise
23 Councilmember Trachtenberg for the intelligence and diligence, the fairness -- .

24
25 President Knapp,
26 Folks, folks.

27
28
29 Vice President Andrews,
30 And the guts that she has brought to this discussion. It is not an easy discussion to
31 have. And I note, although she was really too modest to go into it in any detail, that she
32 has been a champion of working people throughout her life. And there are many
33 initiatives that I have had a chance to work on with some of you over the years. Some of
34 you will recall that I was the lead sponsor of the County's Living Wage Law, and the
35 lead sponsor of the County's Smoke-Free Restaurant Law, the lead sponsor of the first
36 local law in the nation that prohibits genetic discrimination in employment, and the lead
37 sponsor of the law that requires fire sprinklers are built in all new homes. The
38 commitment to workers on this County Council is very strong and has historically led the
39 region, and sometimes the nation, in what has been accomplished here. Equity is a key
40 concern. Fairness is how we need to -- what we need to have as a guiding principle
41 here. And it can't simply stop at what is affecting the people in this room; we have to be
42 concerned as well about what affects the people outside the room, because they are
43 constituents as well. And they deserve careful attention. There are many people



May 14, 2008

1 working this County who don't work for County government, who are really struggling to
2 get by as well, and who aren't seeing 8% pay increases next year.

3
4 President Knapp,
5 Folks.

6
7 Vice President Andrews,
8 So it is important for this body to take all this into account. And I commend
9 Councilmember Trachtenberg for approaching it in that manner, because I think the
10 approach that the Council adopted in 2003 was the right approach. I supported it then,
11 and I support that same approach now, which is you ask something of everybody.
12 Shared sacrifice is what should be the approach when a community faces adversity.
13 This is a tough year. We all need to help solve the problem together.

14
15 President Knapp,
16 Councilmember Elrich.

17
18 Councilmember Elrich,
19 This discussion has been brewing for weeks now, and it is a very difficult discussion. I
20 hope that this Council is not treading down a path of some of my colleagues in Prince
21 George's County related to me the other day when we talked about how they dealt with
22 their budget problem, and they simply said, we're waiting for it to crash and burn later.
23 We're not going to deal with it now. And I hope that the decisions we make don't result
24 in crash and burn later, rather than confronting what may be serious shortfalls right now.
25 So I guess you have to have a certain amount of optimism about revenue projections in
26 how you look at all of this. I don't like the debate to the extent that I think for too much of
27 the time it has been focused on a discussion of rates of increase and percentages,
28 because it is not about percentages. It is about what people actually make. And I think
29 that while the increases sound large, when you think about what firefighters make and
30 starting teachers make and stuff like people like that, you're not talking about well-paid
31 exotic labor aristocracy in Montgomery County; you're not. [applause]. And at the
32 same time I hope you all would appreciate what people -- whether you like the decision
33 or not from the committee, what people are trying to do is look at all the revenues that
34 were put in front of us and all the projections for expenses that were put in front of us
35 and figure out a way so that at the end of the day the number came down to zero, the
36 difference between the two. And that is not an easy task. And I will say that some of the
37 revenues that are on the table now weren't on the table at the time some of these other
38 discussions were being had. That's the whole other question, maybe we'll get to it at
39 some point. But I do think that this is a very -- this has been a very difficult process for
40 everybody involved. I want to say that I really appreciate the memo that came over from
41 MCGEO. Because whether or not the Executive agreed with the cuts that were
42 recommended, that Union at least had the courage to put on the table publicly where
43 they thought the County can save some money. There are other unions which know
44 darn well there are places that money could be saved, but those conversations only



May 14, 2008

1 happen in union offices, out of public view, with an absolute unwillingness to help this
2 Council get any guidance for a better place to go for money. And that is frustrating.
3 We're either all in this together or we're not. But if we're in this together, then if there are
4 ideas about how to make things work and how to save money and how to make
5 budgets balance, everybody has to contribute to that discussion. It is not helpful to say,
6 you know, Marc, you could go here, but if you say this publicly we won't support that
7 because it will cause great problems. Which makes it difficult for any of my colleagues
8 to actually do anything, because we can't say with any authority or any support from
9 people that actually work out there. Which is why I really appreciate what the MCGEO
10 and what your union did, because you looked at this and you said you guys might want
11 to look here and you might want to look there. That took courage. And it took an
12 acknowledgment at the kind of problem we're dealing with. And I really appreciate it. I
13 do think in my time on the Council and my time observing county government, and I will
14 say my time as a teacher, that I do not believe for a second that everything is well run,
15 perfectly run, and there aren't administrative savings that could not be had. And it is
16 regrettable that some of this stuff is not on the table. It is more regrettable that we do
17 not have and have not undertaken a systematic review of how we structure and
18 organize County government. I see some people nodding their heads out there. We all
19 know we look around at things and it's like it doesn't have to be this way; you could
20 save money if you did this. You really don't need all that. It is time to have that
21 discussion, because short of being asked to deal with your COLA's, we're going to have
22 to deal with what is the most efficient organization of the workforce that we can have so
23 we're not paying for more than what we need, and we're getting the services that
24 everybody wants, and that the workers are being fairly and adequately compensated.
25 We shouldn't have to be making choices between those three things. And what I hope
26 happens this year is that we and the Executive engage in a serious discussion with
27 outside assistance to look at how we've structured our government and our functions,
28 and to see if we can find a way to do it better and to do it leaner so that we don't have to
29 look at COLA's and contracts as the place to adjust our labor spending, that we've
30 adjusted it in the most fundamental way, which is do we have the right people in the
31 right places, doing the right work. Do we have the number of supervisors we need or do
32 we in fact, as has been alluded, have places where we have two workers and one
33 supervisor, a situation which totally astounds me, and when the logic is well you can't
34 have one worker supervising another worker, the idea you then create an additional job
35 just to have somebody supervising somebody who can't supervise somebody else,
36 things like that get a little bit strange. I don't think that's the bulk of the way the County
37 government is organized, but I think there probably poster children for that example.
38 And we need to clean out the poster children. I don't think next year is going to be any
39 easier. And if people write about budget projections, next year is going to be worse. If
40 the people in Prince George's County are right, worse may come as early as November.
41 And then we're going to have, I think, a very, very difficult situation on our hands. But I
42 do wish in general that we would avoid the hyperbole over the outrageous increase
43 percent and focus on the discussion about whether our employees are paid fairly or not
44 paid fairly; whether the wages are where they should be, or whether wages, you know,



May 14, 2008

1 are too low or too high. That's the discussion we ought to be having in the County, not
2 focusing on the percents. I do appreciate the difficult work the committee did. I in no
3 way believe there was any necessity to go to \$40 million. I will not support the
4 committee's recommendations, and I look forward to more discussion. [applause].

5
6 President Knapp,
7 Councilmember Berliner.

8
9 Councilmember Berliner,
10 Thank you, Council -- .

11
12 President Knapp,
13 There you go.

14
15 Councilmember Berliner,
16 There you go. Thank you, Council President. I will not support the committee's
17 recommendations as well. [applause] [cheering]. I am not a historian of the Council's
18 action, but I believe this will make the ninth year out of ten in which that has been the
19 case. I do not envy the roll of the MFP Committee. It was one of the reasons I was so
20 grateful to become the lead for energy and the environment as opposed to being on that
21 committee. I do not envy the work and the task that you had. And I want to honor your
22 commitment. And I want everyone here to know that each one of us -- each one of us
23 have the same objective, which is to serve this County and this community. And we may
24 disagree as to how best to do that, but no one of my colleagues ran for this office and is
25 serving in this capacity without having that objective uppermost in mind. So we may
26 disagree, but it is not because we don't want what is best for this community. So I want
27 to put to rest the notion that there is only one truth out there. There is not one truth out
28 there. And each of us individually and collectively are trying our best to get there. And it
29 is a struggle, because this is hard. Last year we had the best of all worlds; a budget that
30 gave everything to everyone. This year is the worst of all worlds. There is pain. There is
31 pain. And this committee tried its best, and these people are trying their best. And now
32 the work is going to fall to the Council President, because we need seven votes for a
33 budget. And we're going to need to find common ground. And we're going to need to
34 find a compromise. I wish you well, Council President, in the next 24 hours.

35
36 President Knapp,
37 We'll all be up late tonight. [laughter] [applause]. Councilmember Ervin.

38
39 Councilmember Ervin,
40 Thank you very much. I don't think it is a secret to anybody in this room where I am on
41 this budget. I did not support my two colleagues on the MFP committee. And I want to
42 talk about this concept of feeling pain. I have a real problem with the way this is being
43 characterized as the employee organizations have to feel some pain. I want to talk to
44 you about pain. The only way you get around not feeling any pain over inflation is if you



May 14, 2008

1 don't eat or you don't drive, because according to CNN this morning, the Consumer
2 Price Index, a key inflation reading, showed a rise of 3.9% in the 12 months ending in
3 April, and food and energy prices high, gas prices were up 21% over the 12 months
4 ending in April. Meanwhile, food prices rose 5.1% over the last 12 months. This is the
5 biggest spike in the past eighteen years. So how many of you are feeling pain already? [
6 applause] [cheering]. I have always said I believe we can balance this budget without
7 taking it out on the backs of the employees. I am going to have a lot more to say about
8 this tomorrow as we get to the end of our long journey here with you. But I can assure
9 you I appreciate all the comments made by Councilmember Leventhal. I know that
10 many of you work hard -- all of you work hard on behalf of the citizens of Montgomery
11 County every day. Budgets are about people and the role that government plays in the
12 lives of those who make our community extraordinary. People are the fiber that holds
13 our great community together. And government is the arena where people can come
14 together to find common ground as my good friend, Councilmember Berliner, just said.
15 Today we find ourselves in a time of crisis. Now is not the time to abandon the principle
16 that government is about serving all the people, but especially those that need our help
17 the most. I have been moved by the stories that I have heard during my tenure on the
18 Council about ordinary people who do extraordinary things. Our employees are our
19 County's most valuable resource. Employees like -- [applause] -- I want to speak to a
20 couple of people who I know are in the audience. Employees like Detective Donnie
21 Oaks, who received the Gold Medal of Valor at this year's Public Safety Awards.
22 Detective Oaks was conducting an undercover drug investigation when one of the
23 subjects produced a handgun and point it directly at Detective Oaks' head. A struggle
24 ensued and the subject gained control in the gun and immediately began firing, striking
25 Detective Oaks in the arm and the head. Luckily, Detective Oaks was able to notify his
26 backup team and was able to get away from the area despite his injuries. Detective
27 Oaks suffered from hearing loss, nerve damage to his right arm, and one bullet remains
28 lodged in his skull. The doctor who treated Detective Oaks reported that he is lucky to
29 be alive. I want to talk to you about employees like Ride-on bus driver and my friend,
30 Melvin Ransom, who worked for this County for 20 years. Melvin is getting up ready for
31 work while the rest of us are sleeping. His shift begins at 4:30 a.m. and may not end
32 until 7:30 or 8:00 p.m. As a former resident, Melvin had to move to Prince George's
33 County four years ago because he could no longer afford to live in Montgomery County.
34 He now spends 40 minutes each way commuting to his job. During his career, Melvin
35 has been threatened by passengers, and objects have been thrown at him while driving.
36 However, one of the most humiliating incidents happened when a passenger spit in
37 Melvin's face for no apparent reason. While most of us would have gone into attack
38 mode, Melvin knew he had a bus full of his passengers that rely on him each day, and
39 he had to keep calm. It wasn't until after all of his stops were made that he was able to
40 get cleaned up and reflect on what had happened. Even with all of this, Melvin looks out
41 for his passengers. He notices when regulars are out on vacation or aren't riding the bus
42 because of sickness or job changes. He believes that he has a vested interest in
43 providing quality service for his passengers and the Ride-On bus system. I can go on
44 and on and on and talk to you -- [applause] [cheering] -- I can talk to you all day about



May 14, 2008

1 the exemplary employees in Montgomery County. And I'm going to end with one -- one
2 more, and that is Shanise Coleman, who has been a teacher for five years and works at
3 Silver Spring International Middle School. As a single mom of two kids, she knows the
4 importance of passing a budget that pays a fair wage. It is a struggle for her to pay for
5 childcare, clothing for her growing nine- and ten-year-old children, and daily necessities
6 such as food and healthcare. Shanise wants to advance her career and has been
7 offered a job as a consulting teacher for world studies next year, but this position may
8 be eliminated because of proposed budget cuts. And so I say to you, yes, this is tough
9 for us sitting up here on this dais, but I think we have all made a commitment to doing
10 what we think is best for all the citizens of Montgomery County. And I, for one, have
11 stood with you from the very beginning and now is not the time to turn back. [applause]
12 [cheering].

13
14 President Knapp,
15 Councilmember Floreen.

16
17 Councilmember Floreen,
18 Thank you. I wasn't coming here to make a speech about this, but obviously this is of
19 grand importance to everyone here. I have to say I think it is really unfortunate that the
20 first stab at trying to address our spending was directed towards you all. We've got a
21 problem and we've got to solve it within this budget. But what makes Montgomery
22 County great is the employees. You are the people who serve our -- you are the people
23 who take care of our people, our million people. You are the people who are there when
24 they're difficult. You are the people who address -- take care of our parents and our
25 children. You are the people who provide the services that we're scrambling to find. I
26 don't know what the answer -- the bottom line is going to be on this budget, but I do
27 know that I do not support the committee recommendation. [applause] [cheering].

28
29 President Knapp,
30 I appreciate all the comments of my colleagues. I also don't support the committee
31 recommendation, but I wanted to take just -- [applause] [cheering] -- I want to take just
32 a minute though to thank everybody in the room. When we started this budget process
33 back in the beginning of the year, I met with leadership of the various employee
34 organizations and said we need to continue to talk and continue to have an open dialog
35 and work together through the course of the budget discussion. And I want to thank all
36 of you for doing that. Because I think only in working in partnership do we actually get to
37 a successful outcome. And I think you have been willing to come to the table. We have
38 met every week, every other week on a regular basis; last evening, the night before, I
39 am guessing, but I appreciate it very much. And I think we had a little discourse earlier
40 as it related to the way some information had been communicated from the budget. I
41 think one of the important things that we as County Government need to continue to do
42 is to recognize that we are all a part of this together and that it's not we, they, us, them.
43 We are all a team and that we need to continue to communicate with one another and
44 continue to work in partnership. And at least from my perspective as the Council



May 14, 2008

1 President this year, that has been what I have experienced, and I think it is only doing
2 that that we'll continue to move forward to do all of those things that my colleagues have
3 said to make our County a great place. And so I want to thank all of you for that very
4 much. We have before us the committee recommendation; I guess we can raise our
5 hands. Everyone has kind of basically said where they are, but we'll do that. For
6 recommended reduction of 40 million in FY09 employee pay increases, those in support
7 of the committee recommendation indicate by raising your hand. Council Vice President
8 Andrews, Councilmember Trachtenberg. Folks, it is okay. All right. You know where
9 everybody is. Those opposed to committee recommendation, indicate by raising your
10 hand. [applause] [cheering]. Councilmember Leventhal, Councilmember Ervin,
11 Councilmember Berliner, Councilmember Trachtenberg or Councilmember Floreen,
12 Councilmember Elrich and myself. We now turn to the third item that the Chair of the
13 committee has indicated, the FY09 to '11 IAFF contract. The recommendation is to
14 recommend approval of the pay increase provisions. Those in -- any discussion on the
15 committee recommendation? I see no discussion. Those -- pardon?

16
17 Vice President Andrews,
18 You're talking about the IAFF.

19
20 President Knapp,
21 Right. The third provision, the FY09-11 IAFF contract. Those in support of the
22 committee recommendation indicate by raising your hand.

23
24 Vice President Andrews,
25 The committee recommendation.

26
27 President Knapp,
28 Right. Let me read it just because we spent a lot of time on the other. So as it relates to
29 the packet we have in front of us with regard to the FY09-11 IAFF contract, Ms.
30 Trachtenberg and Ms. Ervin recommend approval of the pay increase recommend
31 approval of the pay increase provisions, Mr. Andrews supports the increase of FY09-11,
32 but opposed the increase for FY11. That's what we have before us. So the committee
33 recommendation is to support the approval of the pay increase provisions as indicated
34 by the committee. Those in support indicate by raising your hand. Mr. Leventhal, Ms.
35 Ervin, Councilmember Berliner, Councilmember Elrich, Councilmember Floreen,
36 Councilmember Trachtenberg, and myself. Those opposed Council Vice President
37 Andrews. We now turn to -- that concludes action on Agenda Item 8. We now turn to
38 Agenda Items 10 through 12. MFP Committee Chair Trachtenberg.

39
40 Councilmember Trachtenberg,
41 Actually nine.

42
43 President Knapp,
44 Oh, I'm sorry.



May 14, 2008

1
2 Councilmember Trachtenberg,
3 We've, in effect handled, this is just a formality of it which is you have a resolution
4 before you to amend Resolution Number 16-87, which would establish an eight-year
5 funding schedule for County Agencies Annual Contribution for the Retiree Health
6 Benefits. And the recommendation from the MFP Committee was to fund the or rather
7 to support the resolution as proposed.

8
9 President Knapp,
10 All in support of the recommendation of the MFP Committee indicate by raising your
11 hand. I'm sorry, it was number 9.

12
13 Councilmember Trachtenberg,
14 Number nine.

15
16 President Knapp,
17 The OPEB funding requirements. All in support, that is unanimous. Thank you very
18 much. Now we turn to item 10.

19
20 Councilmember Trachtenberg,
21 Okay. That takes us to the resolutions in packet covering items number 10 and 12,
22 again, resolutions to approve Collective Bargaining Agreements. The first re-opener that
23 we're going to go through is for MCGEO. Again, the MFP Committee recommendation
24 was to approve the agreement, except for Article 41.6, which relates to legislation to
25 add members to the Board of Investment Trustees. If necessary, I'll go through the
26 entire to packet. I think I would prefer to summarize. There was agreement within the
27 committee to approve the GRIP as a reasonable compromise, again, the Guaranteed
28 Retirement Income Plan. There was agreement to approve it with the guaranteed 7.25
29 rate of return. Again, there were some issues raised around IRS rules, but it was the
30 recommendation of the committee at this time to approve the GRIP with the guaranteed
31 rate of return. As I indicated initially, the Board of Investment Trustees membership,
32 Councilmember Ervin indicated within the committee discussion that she wanted more
33 information, more time, to consider this issue. The Council Vice President indicated the
34 same. I would note that we had received some correspondence from the Retiree
35 Association, and it was the determination of the committee to address this very issue
36 early June, I believe June 9th, if I am not mistaken. And one of the items that relates to
37 the Board of Investment Trustee presence was the ex officio status of the MCGEO
38 President. That was also deferred as an item for decision making. And in terms of
39 Pension Credit and Contributions for Military Service, the committee recommendation
40 again unanimous was to approve that provision.

41
42 President Knapp,
43 Okay. Any discussion, Council Vice President Andrews.



May 14, 2008

1 Vice President Andrews,

2 Thank you. I want to -- I note that the committee deferred discussion on the Board of
3 Investment Trustees issue, and will come back to that. I think that's a very serious issue.
4 I think the Board of Investment Trustees works very well now. I do not want to see it
5 change in the way that this would do. It is not a bargaining board. It doesn't determine
6 benefits. It is an investment board. And it has gotten excellent returns over the years.
7 It's been extremely well run, and I don't think there is a good argument for changing it in
8 this way. So when the Council comes back to that, I hope it will get a lot of attention.

9
10 President Knapp,

11 Okay. So the recommendation from the committee on that item is to defer until further
12 committee action on June 9th and then will come before the Council [inaudible].

13
14 Councilmember Trachtenberg,

15 Yes, with the latest -- .

16
17 President Knapp,

18 When we reconvene June 10th; is that the expectation?

19
20 Steve Farber,

21 I think Ms. Lauer has scheduled that had for June 17th.

22
23 Councilmember Trachtenberg,

24 Right.

25
26 President Knapp,

27 17th, okay. Any discussion as it relates to the committee's recommendation for the
28 deferral? Seeing none; all in support indicate by raising your hand.

29
30 Michael Faden,

31 Just for the record, what you're doing now I believe is adopting the Resolution on circle
32 A-17 and A-18?

33
34 Councilmember Trachtenberg,

35 Uh-huh.

36
37 President Knapp,

38 A-17 as it relates to [inaudible].

39
40 Michael Faden,

41 It relates to this contract in general, and that item in particular.

42
43 President Knapp,



May 14, 2008

1 Okay. So we've got agreement to defer. Now we'll take action on the broader
2 agreement.

3
4 Michael Faden,
5 Right.

6
7 President Knapp,
8 Right. That was my next move. So now we have before us the committee
9 recommendation as it relates to the MCGEO re-opener. Any discussion on that
10 recommendation? Council Vice President Andrews?

11
12 Vice President Andrews,
13 Thank you. The MCGEO re-opener includes an increase in the retirement contribution
14 that the County would make from 6% to 8%, which is a 33% increase. It is a large
15 increase. I don't think it is something that the County should do, at least not at this time.
16 I did support the adoption of the GRIP, which I think is a reasonable thing to do. But I
17 don't support the increase in the County's -- 33% increase in the County's contribution
18 to retirement, and so I will vote against that.

19
20 President Knapp,
21 Against that provision.

22
23 Vice President Andrews,
24 Against that provision. And as a whole I would vote against the re-opener [inaudible].

25
26 President Knapp,
27 Okay. All in support of the committee recommendation indicate by raising your hand.
28 Councilmember Elrich, Councilmember Floreen, MFP Committee Chair Trachtenberg,
29 Councilmember Leventhal, Councilmember Ervin, Councilmember Berliner, and myself.
30 All opposed -- Council Vice President Andrews. Okay. We now turn to the -- .

31
32 Councilmember Trachtenberg,
33 The FOP re-opener. Again, I believe we have some folks from the Fraternal Order of
34 Police here today who want to join us up front. The recommendation from the
35 committee, again 2 to 1, was to approve the agreement as negotiated. The Council Vice
36 President opposed approval of the provisions, implementing the Single Officer Fleet
37 Vehicle program, and the Deferred Retirement Option program.

38
39 President Knapp,
40 Okay. Discussion on the FOP re-opener; Council Vice President Andrews.

41
42 Vice President Andrews,



May 14, 2008

1 Thank you. The re-opener also includes an increase from 76% to 86% of highest base
2 salary for pension for the maximum salary -- maximum pension benefit. Again, I don't
3 think this is the time to do that. And I oppose it.

4
5 President Knapp,

6 Okay. Further discussion on the FOP re-opener? Seeing none, all in support of the
7 committee recommendation, indicate by raising your hand. Councilmember Leventhal,
8 Councilmember Ervin, Councilmember Berliner, Councilmember Elrich, Councilmember
9 Floreen, and MFP Committee Chair Trachtenberg, and myself. All opposed -- Council
10 Vice President Andrews. We now turn to the IAFF agreement.

11
12 Councilmember Trachtenberg,

13 Okay. Again, I believe that we have Mr. Sparks from the Local here joining us this
14 afternoon. The committee recommendation on the IAFF agreement was 2 to 1, again,
15 Council Vice President Andrews opposed. Again, the recommendation was to approve
16 the agreement as negotiated. Councilmember Andrews approved the provision
17 concerning the disease presumptions with amendments, and opposed the overtime cap
18 provision. So there are two items for potential discussion this afternoon; one specific to
19 disease presumptions, and the other relating to the overtime cap, and the cap is at
20 100% as indicated in the contract.

21
22 President Knapp,

23 Okay. We have before us now the IAFF agreement. Any discussion? Seeing no
24 discussion, all in support of the agreement, indicate by raising your hand.
25 Councilmember Leventhal, Councilmember Ervin, Councilmember Berliner,
26 Councilmember Elrich, Councilmember Floreen, MFP Committee Chair Trachtenberg,
27 and myself. All opposed, Council Vice President Andrews. That concludes items 8
28 through or 10 through 12. We now turn to item number 13. No, we've done 13.

29
30 Councilmember Trachtenberg,

31 Yes, the next item is number 14.

32
33 President Knapp,

34 That's 14.

35
36 Councilmember Trachtenberg,

37 Which is both.

38
39 President Knapp,

40 Council Vice President Andrews.

41
42 Vice President Andrews,

43 Thank you, Council President. This is an action indicating the Council's intention to
44 approve actions necessary to implement the Memorandum of Understanding with the



May 14, 2008

1 Montgomery County Fire and Rescue Association. The packet that was prepared by
2 Mike Faden and Minna Davidson is very detailed and includes the key features of the
3 agreement. The committee is unanimously recommending approval of it. It has some
4 modest changes from the existing agreement, which was a shorter term agreement. It
5 seems to be the agreement between the MCVFRA seems to be working well. A lot of
6 work has gone into it over the last couple of years. And we appreciate all the people that
7 have been involved in that.

8
9 President Knapp,

10 Thank you very much. I would comment that this was one of the outcomes of the fire
11 service reorganization took place a few years ago. And I have been very pleased at the
12 ability that has provided our volunteer organization to really highlight some of their
13 issues, and also to build, I think, strength in the relationship between our volunteer
14 organization and career firefighters. And I think it has gone a long way. And I am
15 pleased at what the negotiations have led to and the efforts on the part of MCVFRA as
16 well as our Fire Chief. And so I thank you all very much for this groundbreaking activity,
17 because it is unique to any place in the country as I understand it, and you're not on the
18 road telling --

19
20 Unidentified,
21 [Inaudible].

22
23 President Knapp,

24 No place else in the country. And so you're on the road now telling people how well this
25 is working. And so that's a good thing to hear. Councilmember Leventhal.

26
27 Councilmember Leventhal,

28 Well, I just -- since we're talking about the much improved relationship, which I agree
29 and keeping praise which is well deserved on MCVFRA and its leadership and its the
30 rank and file members as well as the career fire fighters, it does bear mentioning that
31 the Council President, Mr. Knapp, authored this extraordinary groundbreaking
32 legislation a few years ago that completely changed the nature of the Fire and Rescue
33 Service. And it was a landmark legislative accomplishment of Montgomery County
34 history. And all credit is due to Mr. Knapp.

35
36 President Knapp,

37 I appreciate that, Councilmember Leventhal. And fortunately it passed unanimously so
38 we share credit amongst all of us who were here at the time, and I appreciate the efforts
39 everyone took to get to that successfully conclusion. So we have before us the
40 MCVFRA negotiated agreement. I see no further discussion. All in support indicate by
41 raising your hand. That is unanimous. And that concludes our action today. The Council
42 will reconvene tomorrow at 1:30. And I will say this again because it bears repeating, we
43 have to get to seven votes. And so I don't believe there was -- there were some things
44 that were unanimous today, and that's a good sign. There were some things that didn't



May 14, 2008

1 quite get to 7 yet. And so there are likely to be changes between what you see today
2 and what we will have before us tomorrow at 1:30. So I just want everyone to continue
3 to pay attention. But I thank the efforts of my colleagues and our Executive staff and
4 Council staff, and look forward to reconvening tomorrow to hopefully draw us to a
5 successful conclusion.
6
7